

Short Title of 1990 Amendment note set out above], no later than 180 days after the date of the enactment of this Act [Nov. 28, 1990], the Secretary shall promulgate such regulations as may be necessary to carry out this title and the amendments made by this title.”

PRESERVATION OF ELIGIBILITY FOR CREDIT ASSISTANCE UNDER FEDERAL LAW

Section 2395 of title XXIII of Pub. L. 101-624 provided that: “Notwithstanding any other provision of law, this title [see Short Title of 1990 Amendment note set out above] shall not be construed to adversely affect the eligibility, as it existed on the date of enactment of this Act [Nov. 28, 1990], of cooperatives and other entities for any other credit assistance under Federal law.”

USE OF QUALIFIED PERSONNEL BY THE DEPARTMENT OF AGRICULTURE

Pub. L. 95-334, title I, §126, Aug. 4, 1978, 92 Stat. 429, provided that: “It is the sense of Congress that, in carrying out the provisions of the Consolidated Farm and Rural Development Act [see Short Title note set out above], the Secretary of Agriculture should ensure that—

“(1) only officers and employees of the Department of Agriculture who are adequately prepared to understand the particular needs and problems of farmers in an area are assigned to such area; and

“(2) a high priority is placed on keeping existing farm operations operating.”

REFERENCES IN OTHER LAWS TO BANKHEAD-JONES FARM TENANT ACT OR WATER FACILITIES ACT; REPEALS; SAVINGS AND SEPARABILITY PROVISIONS

Section 341 of Pub. L. 87-128 provided that:

“(a) Reference to any provisions of the Bankhead-Jones Farm Tenant Act [see section 1000 of this title] or the Act of August 28, 1937 (50 Stat. 869), as amended, superseded by any provision of this title [this chapter] shall be construed as referring to the appropriate provision of this title [this chapter]. Titles I, II, and IV of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937 (50 Stat. 869), as amended, the Act of April 6, 1949 (63 Stat. 43), as amended, and the Act of August 31, 1954 (68 Stat. 999), as amended, are hereby repealed effective one hundred and twenty days after enactment hereof [Aug. 8, 1961], or such earlier date as the provisions of this title [this chapter] are made effective by the Secretary's regulations except that the repeal of section 2(c) of the Act of April 6, 1949, shall not be effective prior to January 1, 1962. The foregoing provisions shall not have the effect of repealing the amendments to section 24, chapter 6 of the Federal Reserve Act [section 371 of Title 12], as amended, section 5200 of the Revised Statutes [section 84 of Title 12], section 35 of chapter III of the Act approved June 19, 1934 (D.C. Code, title 35, section 535), enacted by section 15 of the Bankhead-Jones Farm Tenant Act, as amended, and by section 10(f) of the Act of August 28, 1937 (50 Stat. 869), as amended.

“(b) The repeal of any provision of law by this title [this chapter] shall not—

“(1) affect the validity of any action taken or obligation entered into pursuant to the authority of any of said Acts, or

“(2) prejudice the application of any person with respect to receiving assistance under the provisions of this title [this chapter], solely because such person is obligated to the Secretary under authorization contained in any such repealed provision.

“(c) If any provision of this title [this chapter] or the application thereof to any person or circumstances is held invalid, the remainder of the title [this chapter] and the application of such provision to other persons or circumstances shall not be affected thereby.”

SUBCHAPTER I—REAL ESTATE LOANS

SUBCHAPTER REFERRED TO IN OTHER SECTIONS

This subchapter is referred to in sections 1961, 1963, 1964, 1981b, 1983, 1983a, 1985, 1994, 2000, 2003 of this title.

§ 1922. Persons eligible for loans

(a) Authorization and conditions

The Secretary is authorized to make and insure loans under this subchapter to farmers and ranchers in the United States, and to farm cooperatives and private domestic corporations, partnerships, and joint operations that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States, subject to the conditions specified in this section. To be eligible for such loans, applicants who are individuals, or, in the case of cooperatives, corporations, partnerships, and joint operations, individuals holding a majority interest in such entity, must (1) be citizens of the United States, (2) for direct loans only, have either training or farming experience that the Secretary determines is sufficient to assure reasonable prospects of success in the proposed farming operations, (3) be or will become owner-operators of not larger than family farms (or in the case of cooperatives, corporations, partnerships, and joint operations in which a majority interest is held by individuals who are related by blood or marriage, as defined by the Secretary, such individuals must be or will become either owners or operators of not larger than a family farm and at least one such individual must be or will become an operator of not larger than a family farm or, in the case of holders of the entire interest who are related by blood or marriage and all of whom are or will become farm operators, the ownership interest of each such holder separately constitutes not larger than a family farm, even if their interests collectively constitute larger than a family farm, as defined by the Secretary), and (4) be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. In addition to the foregoing requirements of this section, in the case of corporations, partnerships, and joint operations, the family farm requirement of clause (3) of the preceding sentence shall apply as well to the farm or farms in which the entity has an ownership and operator interest and the requirement of clause (4) of the preceding sentence shall apply as well to the entity in the case of cooperatives, corporations, partnerships, and joint operations.

(b) Direct loans

(1) In general

Subject to paragraph (3), the Secretary may make a direct loan under this subchapter only to a farmer or rancher who has operated a farm or ranch for not less than 3 years and—

(A) is a qualified beginning farmer or rancher;

(B) has not received a previous direct farm ownership loan made under this subchapter; or

(C) has not received a direct farm ownership loan under this subchapter more than 10 years before the date the new loan would be made.

(2) Youth loans

The operation of an enterprise by a youth under section 1941(b) of this title shall not be considered the operation of a farm or ranch for purposes of paragraph (1).

(3) Transition rule**(A) In general**

Subject to subparagraphs (B) and (C), the Secretary may make a direct loan under this subchapter to a farmer or rancher who has a direct loan outstanding under this subchapter on April 4, 1996.

(B) Less than 5 years

If, as of April 4, 1996, a farmer or rancher has had a direct loan outstanding under this subchapter for less than 5 years, the Secretary shall not make a loan to the farmer or rancher under subparagraph (A) after the date that is 10 years after April 4, 1996.

(C) 5 years or more

If, as of April 4, 1996, a farmer or rancher has had a direct loan outstanding under this subchapter for 5 years or more, the Secretary shall not make a loan to the farmer or rancher under subparagraph (A) after the date that is 5 years after April 4, 1996.

(D) Notice

Beginning with fiscal year 2000 not later than 12 months before a borrower will become ineligible for direct loans under this subchapter by reason of this paragraph, the Secretary shall notify the borrower of such impending ineligibility.

(Pub. L. 87-128, title III, § 302, Aug. 8, 1961, 75 Stat. 307; Pub. L. 91-620, § 2, Dec. 31, 1970, 84 Stat. 1862; Pub. L. 95-334, title I, § 101, Aug. 4, 1978, 92 Stat. 420; Pub. L. 97-98, title XVI, § 1601(a), Dec. 22, 1981, 95 Stat. 1346; Pub. L. 99-198, title XIII, §§ 1301(a), 1302(a), 1303, Dec. 23, 1985, 99 Stat. 1518, 1519; Pub. L. 104-127, title VI, § 601, Apr. 4, 1996, 110 Stat. 1084; Pub. L. 105-277, div. A, title I, § 101(a) [title VIII, §§ 804, 805(1)], Oct. 21, 1998, 112 Stat. 2681, 2681-39.)

AMENDMENTS

1998—Subsec. (a). Pub. L. 105-277, § 101(a) [title VIII, § 805(1)], inserted “for direct loans only,” before “have either” in cl. (2).

Subsec. (b)(3)(D). Pub. L. 105-277, § 101(a) [title VIII, § 804], added subpar. (D).

1996—Subsec. (b). Pub. L. 104-127 added subsec. (b) and struck out former subsec. (b) which read as follows: “The Secretary may not restrict eligibility for loans made or insured under this subchapter for purposes set forth in section 1923 of this title solely to borrowers of loans that are outstanding on December 23, 1985.”

1985—Subsec. (a). Pub. L. 99-198, §§ 1301(a), 1302(a)(1), designated existing provisions as subsec. (a) and substituted—

(1) “, partnerships, and joint operations” for “and partnerships” wherever appearing after “corporations”;

(2) “, partnerships, and joint operations” for “, and partnerships” wherever appearing after “corporations”;

(3) “individuals” for “members, stockholders, or partners, as applicable,” wherever appearing.

Pub. L. 99-198, § 1303, in cl. (3) parenthetical, inserted provision treating blood or marriage related owner-operators of the entire farm interest as separate interest

holders of not larger than family farms though collective ownership constitutes a larger than a family farm.

Subsec. (b). Pub. L. 99-198, § 1302(a)(2), added subsec. (b).

1981—Pub. L. 97-98 substituted “corporations and partnerships, the family farm” for “cooperatives, corporations, and partnerships, the family farm”, and inserted “in the case of cooperatives, corporations, and partnerships” at end.

1978—Pub. L. 95-334 substituted provisions setting forth eligibility criteria for loans to farmers and ranchers in the United States, and to farm cooperatives and private domestic corporations and partnerships controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States, for provisions setting forth eligibility criteria for loans to farmers and ranchers in the United States, Puerto Rico, and the Virgin Islands.

1970—Pub. L. 91-620 provided that with respect to veterans as defined in section 1983(e) of this title, a farm background shall not be required as a condition precedent to obtaining any loan.

EFFECTIVE DATE OF 1996 AMENDMENT

Section 663 of title VI of Pub. L. 104-127 provided that:

“(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by this title [enacting sections 2008g to 2008i of this title, amending this section and sections 1631, 1923, 1924, 1927, 1928, 1929, 1929a, 1932, 1934, 1941, 1942, 1946, 1949, 1961 to 1964, 1981, 1981d, 1983, 1983a, 1985, 1991, 1992, 1994, 1997, 1999, 2000, 2001, 2002, and 2003 of this title, repealing sections 1936, 1945, 1947, 1948, and 1968 of this title, and repealing provisions set out as a note under section 1999 of this title] shall become effective on the date of enactment of this Act [Apr. 4, 1996].

“(b) DELAYED EFFECTIVE DATES.—The amendments made by sections 601, 606, 611, 612, 622, 623, 625, 633, 640(1), 642, 645(1), 648(a), and 649 [enacting sections 2008g and 2008i of this title and amending this section and sections 1929, 1941, 1942, 1962, 1963, 1964, 1981d, 1991, 1997, and 2001 of this title] shall become effective 90 days after the date of enactment of this Act [Apr. 4, 1996].

“(c) TRANSITION PROVISION.—The amendments made by sections 638 and 644 [amending sections 1985 and 2000 of this title] shall not apply with respect to a complete application to acquire inventory property submitted prior to the date of enactment of this Act [Apr. 4, 1996].

“(d) REGULATIONS.—Notwithstanding any other provision of law, regulations to implement the amendments made by this title shall be published as interim final rules with request for comments and may be made effective immediately on publication.”

EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-98 effective Dec. 22, 1981, see section 1801 of Pub. L. 97-98, set out as an Effective Date note under section 4301 of this title.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1925, 1934, 1983, 1994, 2006a of this title.

§ 1923. Purposes of loans**(a) Allowed purposes****(1) Direct loans**

A farmer or rancher may use a direct loan made under this subchapter only for—

(A) acquiring or enlarging a farm or ranch;

(B) making capital improvements to a farm or ranch;

(C) paying loan closing costs related to acquiring, enlarging, or improving a farm or ranch; or

(D) paying for activities to promote soil and water conservation and protection de-

scribed in section 1924 of this title on a farm or ranch.

(2) Guaranteed loans

A farmer or rancher may use a loan guaranteed under this subchapter only for—

- (A) acquiring or enlarging a farm or ranch;
- (B) making capital improvements to a farm or ranch;
- (C) paying loan closing costs related to acquiring, enlarging, or improving a farm or ranch;
- (D) paying for activities to promote soil and water conservation and protection described in section 1924 of this title on a farm or ranch; or
- (E) refinancing indebtedness.

(b) Preferences

In making or guaranteeing a loan under this subchapter for purchase of a farm or ranch, the Secretary shall give preference to a person who—

- (1) has a dependent family;
- (2) to the extent practicable, is able to make an initial down payment on the farm or ranch; or
- (3) is an owner of livestock or farm or ranch equipment that is necessary to successfully carry out farming or ranching operations.

(c) Hazard insurance requirement

(1) In general

After the Secretary makes the determination required by paragraph (2), the Secretary may not make a loan to a farmer or rancher under this subchapter unless the farmer or rancher has, or agrees to obtain, hazard insurance on any real property to be acquired or improved with the loan.

(2) Determination

Not later than 180 days after April 4, 1996, the Secretary shall determine the appropriate level of insurance to be required under paragraph (1).

(Pub. L. 87-128, title III, §303, Aug. 8, 1961, 75 Stat. 307; Pub. L. 87-703, title IV, §401(1), Sept. 27, 1962, 76 Stat. 631; Pub. L. 90-488, §1, Aug. 15, 1968, 82 Stat. 770; Pub. L. 95-113, title XIV, §1448(a), Sept. 29, 1977, 91 Stat. 1011; Pub. L. 96-438, §1(1), Oct. 13, 1980, 94 Stat. 1871; Pub. L. 97-98, title XVI, §1602, Dec. 22, 1981, 95 Stat. 1346; Pub. L. 104-127, title VI, §602(a), Apr. 4, 1996, 110 Stat. 1085.)

AMENDMENTS

1996—Pub. L. 104-127 amended section generally, substituting present provisions for provisions outlining preferences for loans made or insured under this subchapter and defining terms “improving farms” and “qualified non-fossil energy system”.

1981—Subsec. (a). Pub. L. 97-98 substituted “who have dependent families” for “who are married or have dependent families”.

1980—Subsec. (b)(1). Pub. L. 96-438 substituted “the acquisition, installation, and modification” for “the acquisition and installation” and struck out “in any residential structure” after “energy system”.

1977—Pub. L. 95-113 designated existing provisions as subsec. (a) and added subsec. (b).

1968—Pub. L. 90-488 designated existing provisions as cls. (1), (2), (4), (5), and added cl. (3).

1962—Pub. L. 87-703 authorized loans to be made or insured for recreational uses and facilities.

EFFECTIVE DATE OF 1996 AMENDMENT

Section 602(b) of Pub. L. 104-127 provided that: “Section 303(c)(1) of the Consolidated Farm and Rural Development Act [7 U.S.C. 1923(c)(1)] shall not apply until the Secretary of Agriculture makes the determination required by section 303(c)(2) of the Act.” [The Secretary’s determination relating to hazard insurance under this provision was contained in interim rules published Mar. 3, 1997, and effective Mar. 24, 1997, see 62 F.R. 9351.]

EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-98 effective Dec. 22, 1981, see section 1801 of Pub. L. 97-98, set out as an Effective Date note under section 4301 of this title.

EFFECTIVE DATE OF 1977 AMENDMENT

Amendment by Pub. L. 95-113 effective Oct. 1, 1977, see section 1901 of Pub. L. 95-113, set out as a note under section 1307 of this title.

TRANSFER OF FUNCTIONS

Powers, duties, and assets of agencies, offices, and other entities within Department of Agriculture relating to rural development functions transferred to Rural Development Administration by section 2302(b) of Pub. L. 101-624.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1925, 1934, 1991, 2008f of this title.

§ 1924. Soil and water conservation and protection

(a) In general

Loans may also be made or insured under this subchapter for soil and water conservation and protection. Such loans may be made to farm owners or tenants who are eligible borrowers under this subchapter for—

- (1) the installation of conservation structures, including terraces, sod waterways, permanently vegetated stream borders and filter strips, windbreaks (tree or grass), shelterbelts, and living snow fences;
- (2) the establishment of forest cover for sustained yield timber management, erosion control, or shelterbelt purposes;
- (3) the establishment or improvement of permanent pasture;
- (4) the conversion to and maintenance of sustainable agricultural production systems, as described by Department technical guides and handbooks;
- (5) the payment of costs of complying with section 3812 of title 16; and
- (6) other purposes consistent with plans for soil and water conservation, integrated farm management, water quality protection and enhancement, and wildlife habitat improvement.

(b) Priority

In making or guaranteeing loans under this subsection,¹ the Secretary shall give priority to producers who use such loans to build conservation structures or establish conservation practices to comply with section 3812 of title 16.

(c) Loan maximum

The Secretary shall not make or insure a loan under this section that exceeds the lesser of—

¹ So in original. Probably should be “this section.”.

- (1) the value of the farm or other security for such loan; or
 (2) \$50,000.

(Pub. L. 87-128, title III, §304, Aug. 8, 1961, 75 Stat. 308; Pub. L. 90-488, §2, Aug. 15, 1968, 82 Stat. 770; Pub. L. 92-419, title I, §102, Aug. 30, 1972, 86 Stat. 657; Pub. L. 95-334, title I, §102, Aug. 4, 1978, 92 Stat. 421; Pub. L. 101-624, title XVIII, §1802(a), Nov. 28, 1990, 104 Stat. 3817; Pub. L. 102-237, title V, §501(a), Dec. 13, 1991, 105 Stat. 1865; Pub. L. 104-127, title VI, §603, Apr. 4, 1996, 110 Stat. 1085.)

AMENDMENTS

1996—Pub. L. 104-127, §603(2), inserted section catchline.

Subsec. (a). Pub. L. 104-127, §603(2), (5), redesignated subsec. (a)(1) as (a), inserted heading, and redesignated subpars. (A) to (F) as pars. (1) to (6), respectively. Former pars. (2) and (3) redesignated subsecs. (b) and (c), respectively.

Subsec. (b). Pub. L. 104-127, §603(1), (3), redesignated subsec. (a)(2) as (b), inserted heading, substituted “guaranteeing loans” for “insuring loans”, and struck out former subsec. (b) which read as follows: “Loans may also be made or insured under this subchapter to residents of rural areas without regard to the requirements of clauses (2) and (3) of section 1922 of this title to acquire or establish in rural areas small business enterprises to provide such residents with essential income.”

Subsec. (c). Pub. L. 104-127, §603(1), (4), (6), redesignated subsec. (a)(3) as (c), inserted heading, redesignated subpars. (A) and (B) as pars. (1) and (2), respectively, and struck out former subsec. (c) which read as follows: “Loans may also be made or insured under this subchapter to any farm owners or tenants without regard to the requirements of clauses (1), (2), and (3) of section 1922 of this title for the purposes of meeting Federal, State, or local requirements for agricultural, animal, or poultry waste pollution abatement and control facilities, including the construction, modification, or relocation of farm or other structures necessary to comply with such pollution abatement requirements.”

1991—Subsecs. (a), (d). Pub. L. 102-237 redesignated subsec. (d) as (a) and moved it to appear before subsec. (b) and struck out former subsec. (a) which read as follows: “Loans may also be made or insured under this subchapter to any farmowners or tenants without regard to the requirements of section 1922(1), (2), and (3) of this title for the purposes only of land and water development, use and conservation, not including recreational uses and facilities, and without regard to the requirements of section 1922(2) and (3) of this title, to farmowners or tenants to finance outdoor recreational enterprises or to convert to recreational uses their farming or ranching operations, including those heretofore financed under this chapter.”

1990—Subsec. (d). Pub. L. 101-624 added subsec. (d).

1978—Subsec. (a). Pub. L. 95-334, §102(1), struck out “individual” after “title, to”.

Subsec. (c). Pub. L. 95-334, §102(2), added subsec. (c).

1972—Pub. L. 92-419 designated existing provisions as subsec. (a) and struck out item (a) and (b) designations appearing before “to any farmowner” and “without regard to”, respectively, and added subsec. (b).

1968—Pub. L. 90-488 designated existing provisions as cl. (a), excluded recreational uses and facilities, and added cl. (b).

EFFECTIVE DATE OF 1991 AMENDMENT

Amendment by Pub. L. 102-237 effective as if included in the provision of the Food, Agriculture, Conservation, and Trade Act of 1990, Pub. L. 101-624, to which the amendment relates, see section 1101(b)(3) of Pub. L. 102-237, set out as a note under section 1421 of this title.

TRANSFER OF FUNCTIONS

Powers, duties, and assets of agencies, offices, and other entities within Department of Agriculture relating to rural development functions transferred to Rural Development Administration by section 2302(b) of Pub. L. 101-624.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 917, 1923, 1925, 1934, 1991, 6613 of this title.

§ 1925. Limitations on amount of farm ownership loans

(a) In general

The Secretary shall make or insure no loan under sections 1922, 1923, 1924, 1934, and 1935 of this title that would cause the unpaid indebtedness under such sections of any one borrower to exceed the smaller of (1) the value of the farm or other security, or (2) in the case of a loan other than a loan guaranteed by the Secretary, \$200,000, or, in the case of a loan guaranteed by the Secretary, \$700,000 (increased, beginning with fiscal year 2000, by the inflation percentage applicable to the fiscal year in which the loan is guaranteed and reduced by the amount of any unpaid indebtedness of the borrower on loans under subchapter II of this chapter that are guaranteed by the Secretary).

(b) Determination of value

In determining the value of the farm, the Secretary shall consider appraisals made by competent appraisers under rules established by the Secretary.

(c) Inflation percentage

For purposes of this section, the inflation percentage applicable to a fiscal year is the percentage (if any) by which—

(1) the average of the Prices Paid By Farmers Index (as compiled by the National Agricultural Statistics Service of the Department of Agriculture) for the 12-month period ending on August 31 of the immediately preceding fiscal year; exceeds

(2) the average of such index (as so defined) for the 12-month period ending on August 31, 1996.

(Pub. L. 87-128, title III, §305, Aug. 8, 1961, 75 Stat. 308; Pub. L. 91-620, §1, Dec. 31, 1970, 84 Stat. 1862; Pub. L. 92-419, title I, §103, Aug. 30, 1972, 86 Stat. 658; Pub. L. 91-524, title VIII, §807, as added Pub. L. 93-86, §1(27)(B), Aug. 10, 1973, 87 Stat. 237; Pub. L. 95-334, title I, §103, Aug. 4, 1978, 92 Stat. 421; Pub. L. 102-554, §3, Oct. 28, 1992, 106 Stat. 4142; Pub. L. 105-277, div. A, title I, §101(a) [title VIII, §806(a)], Oct. 21, 1998, 112 Stat. 2681, 2681-39.)

AMENDMENTS

1998—Pub. L. 105-277 inserted section catchline, designated first sentence as subsec. (a), inserted heading, and substituted “\$700,000 (increased, beginning with fiscal year 2000, by the inflation percentage applicable to the fiscal year in which the loan is guaranteed and reduced by the amount of any unpaid indebtedness of the borrower on loans under subchapter II of this chapter that are guaranteed by the Secretary)” for “\$300,000”, designated second sentence as subsec. (b) and inserted heading, and added subsec. (c).

1992—Pub. L. 102-554 inserted reference to section 1935 of this title.

1978—Pub. L. 95-334 substituted provisions setting forth requirements for loans under sections 1922, 1923, 1924, and 1934 of this title for provisions setting forth requirements for loans under sections 1922, 1923, and 1924 of this title.

1973—Pub. L. 91-524, § 807, as added by Pub. L. 93-86, substituted "\$225,000" for "\$100,000" in cl. (a), added cl. (b), and redesignated former cl. (b) as (c).

1972—Pub. L. 92-419 struck out "normal" before "value" in first and second sentences and before "market value" in last sentence.

1970—Pub. L. 91-620 substituted "\$100,000" for "\$60,000".

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1943 of this title.

§ 1926. Water and waste facility loans and grants

(a) Criteria; definitions; limitation on allowable uses of Federal funds; inclusion of interest or other income in gross income on sale of insured loan

(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage or waste disposal facilities, recreational developments, and essential community facilities including necessary related equipment, all primarily serving farmers, ranchers, farm tenants, farm laborers, rural businesses, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes. The Secretary may also make loans to any borrower to whom a loan has been made under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.), for the conservation, development, use, and control of water, and the installation of drainage or waste disposal facilities, primarily serving farmers, ranchers, farm tenants, farm laborers, rural businesses, and other rural residents. When any loan made for a purpose specified in this paragraph is sold out of the Agricultural Credit Insurance Fund as an insured loan, the interest or other income thereon paid to an insured holder shall be included in gross income for purposes of chapter 1 of title 26. With respect to loans of less than \$500,000 made or insured under this paragraph that are evidenced by notes and mortgages, as distinguished from bond issues, borrowers shall not be required to appoint bond counsel to review the legal validity of the loan whenever the Secretary has available legal counsel to perform such review.

(2) The Secretary is authorized to make grants aggregating not to exceed \$590,000,000 in any fiscal year to such associations to finance specific projects for works for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed 75 per centum of the development cost of the project to serve the area which the association determines can be feasibly served by the facility and to adequately serve

the reasonably foreseeable growth needs of the area. The Secretary shall fix the grant rate for each project in conformity with regulations issued by the Secretary that shall provide for a graduated scale of grant rates establishing higher rates for projects in communities that have lower community population and income levels.

(3) No grant shall be made under paragraph (2) of this subsection in connection with any project unless the Secretary determines that the project (i) will serve a rural area which, if such project is carried out, is not likely to decline in population below that for which the project was designed, (ii) is designed and constructed so that adequate capacity will or can be made available to serve the present population of the area to the extent feasible and to serve the reasonably foreseeable growth needs of the area, and (iii) is necessary for an orderly community development consistent with a comprehensive community water, waste disposal, or other development plan of the rural area.

(4)(A) The term "development cost" means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

(B) The term "project" shall include facilities providing central service or facilities serving individual properties, or both.

(5) APPLICATION REQUIREMENTS.—Not earlier than 60 days before a preliminary application is filed for a loan under paragraph (1) or a grant under paragraph (2) for a water or waste disposal purpose, a notice of the intent of the applicant to apply for the loan or grant shall be published in a general circulation newspaper. The selection of engineers for a project design shall be done by a request for proposals by the applicant.

(6) The Secretary may make grants aggregating not to exceed \$30,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare comprehensive plans for the development of water or waste disposal systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

(7) DEFINITION OF RURAL AND RURAL AREAS.—For the purpose of water and waste disposal grants and direct and guaranteed loans provided under paragraphs (1) and (2), the terms "rural" and "rural area" mean a city, town, or unincorporated area that has a population of no more than 10,000 inhabitants.

(8) In each instance where the Secretary receives two or more applications for financial assistance for projects that would serve substantially the same group of residents within a single rural area, and one such application is submitted by a city, town, county or other unit of general local government, he shall, in the absence of substantial reasons to the contrary, provide such assistance to such city, town, county or other unit of general local government.

(9) CONFORMITY WITH STATE DRINKING WATER STANDARDS.—No Federal funds shall be made available under this section for a water system unless the Secretary determines that the water system will make significant progress toward meeting the standards established under title XIV of the Public Health Service Act (com-

monly known as the “Safe Drinking Water Act”) (42 U.S.C. 300f et seq.).

(10) CONFORMITY WITH FEDERAL AND STATE WATER POLLUTION CONTROL STANDARDS.—No Federal funds shall be made available under this section for a water treatment discharge or waste disposal system unless the Secretary determines that the effluent from the system conforms with applicable Federal and State water pollution control standards.

(11) RURAL BUSINESS OPPORTUNITY GRANTS.—

(A) IN GENERAL.—The Secretary may make grants, not to exceed \$1,500,000 annually, to public bodies, private nonprofit community development corporations or entities, or such other agencies as the Secretary may select to enable the recipients—

(i) to identify and analyze business opportunities, including opportunities in export markets, that will use local rural economic and human resources;

(ii) to identify, train, and provide technical assistance to existing or prospective rural entrepreneurs and managers;

(iii) to establish business support centers and otherwise assist in the creation of new rural businesses, the development of methods of financing local businesses, and the enhancement of the capacity of local individuals and entities to engage in sound economic activities;

(iv) to conduct regional, community, and local economic development planning and coordination, and leadership development; and

(v) to establish centers for training, technology, and trade that will provide training to rural businesses in the utilization of interactive communications technologies to develop international trade opportunities and markets.

(B) CRITERIA.—In awarding the grants, the Secretary shall consider, among other criteria to be established by the Secretary—

(i) the extent to which the applicant provides development services in the rural service area of the applicant; and

(ii) the capability of the applicant to accomplish the activities described in the relevant clauses of subparagraph (A).

(C) COORDINATION.—The Secretary shall ensure, to the maximum extent practicable, that assistance provided under this paragraph is coordinated with and delivered in cooperation with similar services or assistance provided to rural residents by the Cooperative State Research, Education, and Extension Service or other Federal agencies.

(D) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this paragraph \$7,500,000 for each of fiscal years 1996 through 2002.

(12)(A) The Secretary shall, in cooperation with institutions eligible to receive funds under the Act of July 2, 1862 (12 Stat. 503–505, as amended; 7 U.S.C. 301–305, 307 and 308), or the Act of August 30, 1890 (26 Stat. 417–419, as amended; 7 U.S.C. 321–326 and 328), including the Tuskegee Institute and State, substate, and regional planning bodies, establish a system for

the dissemination of information and technical assistance on federally sponsored or funded programs. The system shall be for the use of institutions eligible to receive funds under the Act of July 2, 1862 (12 Stat. 503–505, as amended; 7 U.S.C. 301–305, 307, and 308), or the Act of August 30, 1890 (26 Stat. 417–419, as amended; 7 U.S.C. 321–326 and 328), including the Tuskegee Institute and State, substate, and regional planning bodies, and other persons concerned with rural development.

(B) The informational system developed under this paragraph shall contain all pertinent information, including, but not limited to, information contained in the Federal Procurement Data System, Federal Assistance Program Retrieval System, Catalogue of Federal Domestic Assistance, Geographic Distribution of Federal Funds, United States Census, and Code of Federal Regulations.

(C) The Secretary shall obtain from all other Federal departments and agencies comprehensive, relevant, and applicable information on programs under their jurisdiction that are operated in rural areas.

(D) Of the sums authorized to be appropriated to carry out the provisions of this chapter, not more than \$1,000,000 per year may be expended to carry out the provisions of this paragraph.

(13) In the making of loans and grants for community waste disposal and water facilities under paragraphs (1) and (2) of this subsection the Secretary shall accord highest priority to the application of any municipality or other public agency (including an Indian tribe on a Federal or State reservation or other federally recognized Indian tribal group) in a rural community having a population not in excess of five thousand five hundred and which, in the case of water facility loans, has a community water supply system, where the Secretary determines that due to unanticipated diminution or deterioration of its water supply, immediate action is needed, or in the case of waste disposal, has a community waste disposal system, where the Secretary determines that due to unanticipated occurrences the system is not adequate to the needs of the community. The Secretary shall utilize the Soil Conservation Service in rendering technical assistance to applicants under this paragraph to the extent he deems appropriate.

(14) RURAL WATER AND WASTEWATER TECHNICAL ASSISTANCE AND TRAINING PROGRAMS.—

(A) IN GENERAL.—The Secretary may make grants to private nonprofit organizations for the purpose of enabling them to provide to associations described in paragraph (1) of this subsection technical assistance and training to—

(i) identify, and evaluate alternative solutions to, problems relating to the obtaining, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas;

(ii) prepare applications to receive financial assistance for any purpose specified in paragraph (2) of this subsection from any public or private source; and

(iii) improve the operation and maintenance practices at any existing works for the storage, treatment, purification, or dis-

tribution of water or the collection, treatment, or disposal of waste in rural areas.

(B) **SELECTION PRIORITY.**—In selecting recipients of grants to be made under subparagraph (A), the Secretary shall give priority to private nonprofit organizations that have experience in providing the technical assistance and training described in subparagraph (A) to associations serving rural areas in which residents have low income and in which water supply systems or waste facilities are unhealthful.

(C) **FUNDING.**—Not less than 1 nor more than 3 percent of any funds appropriated to carry out paragraph (2) of this subsection for any fiscal year shall be reserved for grants under subparagraph (A) unless the applications, qualifying for grants, received by the Secretary from eligible nonprofit organizations for the fiscal year total less than 1 per centum of those funds.

(15) In the case of water and waste disposal facility projects serving more than one separate rural community, the Secretary shall use the median population level and the community income level of all the separate communities to be served in applying the standards specified in paragraph (2) of this subsection and section 1927(a)(3)(A) of this title.

(16) Grants under paragraph (2) of this subsection may be used to pay the local share requirements of another Federal grant-in-aid program to the extent permitted under the law providing for such grant-in-aid program.

(17)(A) In the approval and administration of a loan made under paragraph (1) for a water or waste disposal facility, the Secretary shall consider fully any recommendation made by the loan applicant or borrower concerning the technical design and choice of materials to be used for such facility.

(B) If the Secretary determines that a design or materials, other than those that were recommended, should be used in the water or waste disposal facility, the Secretary shall provide such applicant or borrower with a comprehensive justification for such determination.

(18) In making or insuring loans or making grants under this subsection, the Secretary may not condition approval of such loans or grants upon any requirement, condition or certification other than those specified under this chapter.

(19) **COMMUNITY FACILITIES GRANT PROGRAM.**—

(A) **IN GENERAL.**—The Secretary may make grants, in a total amount not to exceed \$10,000,000 for any fiscal year, to associations, units of general local government, nonprofit corporations, and federally recognized Indian tribes to provide the Federal share of the cost of developing specific essential community facilities in rural areas.

(B) **FEDERAL SHARE.**—

(i) **IN GENERAL.**—Except as provided in clauses (ii) and (iii), the Secretary shall, by regulation, establish the amount of the Federal share of the cost of the facility under this paragraph.

(ii) **MAXIMUM AMOUNT.**—The amount of a grant provided under this paragraph for a facility shall not exceed 75 percent of the cost of developing the facility.

(iii) **GRADUATED SCALE.**—The Secretary shall provide for a graduated scale for the amount of the Federal share provided under this paragraph, with higher Federal shares for facilities in communities that have lower community population and income levels, as determined by the Secretary.

(b) Curtailment or limitation of service prohibited

The service provided or made available through any such association shall not be curtailed or limited by inclusion of the area served by such association within the boundaries of any municipal corporation or other public body, or by the granting of any private franchise for similar service within such area during the term of such loan; nor shall the happening of any such event be the basis of requiring such association to secure any franchise, license, or permit as a condition to continuing to serve the area served by the association at the time of the occurrence of such event.

(c) Repealed. Pub. L. 91-606, title III, §302(2), Dec. 31, 1970, 84 Stat. 1759

(d) Carryover of unused authorizations for appropriations

Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year.

(Pub. L. 87-128, title III, §306, Aug. 8, 1961, 75 Stat. 308; Pub. L. 87-703, title IV, §401(2), Sept. 27, 1962, 76 Stat. 632; Pub. L. 89-240, §1, Oct. 7, 1965, 79 Stat. 931; Pub. L. 89-769, §6(b), Nov. 6, 1966, 80 Stat. 1318; Pub. L. 90-488, §§3-5, Aug. 15, 1968, 82 Stat. 770; Pub. L. 91-524, title VIII, §806(a), Nov. 30, 1970, 84 Stat. 1383; Pub. L. 91-606, title III, §302(2), Dec. 31, 1970, 84 Stat. 1759; Pub. L. 91-617, §1(a), Dec. 31, 1970, 84 Stat. 1855; Pub. L. 92-419, title I, §§104-112, Aug. 30, 1972, 86 Stat. 658, 659; Pub. L. 91-524, title VIII, §816(c), as added Pub. L. 93-86, §1(27)(B), Aug. 10, 1973, 87 Stat. 240; Pub. L. 95-334, title I, §§104-107(a), Aug. 4, 1978, 92 Stat. 421, 422; Pub. L. 96-355, §7, Sept. 24, 1980, 94 Stat. 1174; Pub. L. 96-438, §2(1), Oct. 13, 1980, 94 Stat. 1871; Pub. L. 97-35, title I, §121, Aug. 13, 1981, 95 Stat. 368; Pub. L. 99-198, title XIII, §1304(a), Dec. 23, 1985, 99 Stat. 1519; Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095; Pub. L. 101-624, title XXIII, §§2316(b), 2321, 2328, 2329, 2341, 2342, 2393, Nov. 28, 1990, 104 Stat. 4008, 4010, 4017, 4026, 4027, 4057; Pub. L. 102-237, title VII, §701(a), (h)(1)(A), (B), Dec. 13, 1991, 105 Stat. 1879, 1880; Pub. L. 103-129, §3, Nov. 1, 1993, 107 Stat. 1366; Pub. L. 103-354, title II, §235(b)(5), Oct. 13, 1994, 108 Stat. 3222; Pub. L. 104-127, title VII, §§741(a), 758, 763, Apr. 4, 1996, 110 Stat. 1122, 1132, 1148.)

REFERENCES IN TEXT

The Rural Electrification Act of 1936, referred to in subsec. (a)(1), is act May 20, 1936, ch. 432, 49 Stat. 1363, as amended, which is classified generally to chapter 31 (§901 et seq.) of this title. For complete classification of this Act to the Code, see section 901 of this title and Tables.

The Public Health Service Act, referred to in subsec. (a)(9), is act July 1, 1944, ch. 373, 58 Stat. 682, as amend-

ed. Title XIV of the Act, known as the Safe Drinking Water Act, is classified principally to subchapter XII (§300f et seq.) of chapter 6A of Title 42, The Public Health and Welfare. For complete classification of these Acts to the Code, see Short Title note and Short Title of 1974 Amendments note set out under section 201 of Title 42 and Tables.

Act of July 2, 1862 (12 Stat. 503-505, as amended; 7 U.S.C. 301-305, 307 and 308), referred to in subsec. (a)(12)(A), is act July 2, 1862, ch. 130, 12 Stat. 503, as amended, popularly known as the Morrill Act and also as the First Morrill Act, which is classified generally to subchapter I (§301 et seq.) of chapter 13 of this title. For complete classification of this Act to the Code, see Short Title note set out under section 301 of this title and Tables.

Act of August 30, 1890 (26 Stat. 417-419, as amended; 7 U.S.C. 321-326 and 328), referred to in subsec. (a)(12)(A), is act Aug. 30, 1890, ch. 841, 26 Stat. 417, as amended, popularly known as the Agricultural College Act of 1890 and also as the Second Morrill Act, which is classified generally to subchapter II (§321 et seq.) of chapter 13 of this title. For complete classification of this Act to the Code, see Short Title note set out under section 321 of this title and Tables.

For definition of "this chapter", referred to in subsec. (a)(12)(D), (18), see note set out under section 1921 of this title.

AMENDMENTS

1996—Subsec. (a)(2). Pub. L. 104-127, §741(a)(1), substituted "\$590,000,000" for "\$500,000,000".

Subsec. (a)(5). Pub. L. 104-127, §758, added par. (5).

Subsec. (a)(7). Pub. L. 104-127, §741(a)(2), added par. (7) and struck out former par. (7) which read as follows: "As used in this chapter, the terms 'rural' and 'rural area' shall not include any area in any city or town which has a population in excess of ten thousand inhabitants, except that (A) for the purpose of loans for essential community facilities under subsection (a)(1) of this section, the terms 'rural' and 'rural area' may include any area in any city or town that has a population not in excess of twenty thousand inhabitants; and (B) for purposes of loans and grants for private business enterprises under sections 1924(b), 1932 and 1942(b), (c), and (d) of this title the terms 'rural' and 'rural area' may include all territory of a State that is not within the outer boundary of any city having a population of fifty thousand or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than one hundred persons per square mile, as determined by the Secretary of Agriculture according to the latest decennial census of the United States: *Provided*, That special consideration for such loans and grants shall be given to areas other than cities having a population of more than twenty-five thousand."

Subsec. (a)(9), (10). Pub. L. 104-127, §741(a)(3), added pars. (9) and (10) and struck out former pars. (9) and (10) which read as follows:

"(9) No Federal funds shall be authorized for use unless it be certified by the appropriate State water pollution control agency that the water supply system authorized will not result in pollution of waters of the State in excess of standards established by that agency.

"(10) In the case of sewers and waste disposal systems, no Federal funds shall be advanced hereunder unless the appropriate State water pollution control agency shall certify that the effluent therefrom shall conform with appropriate State and Federal water pollution control standards when and where established."

Subsec. (a)(11). Pub. L. 104-127, §741(a)(3), added par. (11) and struck out former par. (11) which authorized grants to public bodies, private nonprofit community development corporations or entities, or other agencies to enable such recipients to (1) identify and analyze business opportunities, including opportunities in export markets, that would use local rural economic and human resources, (2) identify, train, and provide technical assistance to existing or prospective rural entre-

preneurs and managers, (3) establish business support centers and otherwise assist in creation of new rural businesses, development of methods of financing local businesses, and enhancing capacity of local individuals and entities to engage in sound economic activities, and (4) conduct regional, community, and local economic development planning and coordination, and leadership development.

Subsec. (a)(14). Pub. L. 104-127, §741(a)(6)(A)-(D)(i), inserted par. heading and headings for subpars. (A) to (C), and realigned margins of subpars. and cls. (i) to (iii) of subpar. (A).

Pub. L. 104-127, §741(a)(4), (5), redesignated par. (16) as (14) and struck out former par. (14) which read as follows:

"(14)(A) The Secretary, under such reasonable rules and conditions as he shall establish, shall make grants to eligible volunteer fire departments for up to 50 per centum of the cost of firefighting equipment needed by such departments but which such departments are unable to purchase through the resources otherwise available to them, and for the cost of the training necessary to enable such departments to use such equipment efficiently.

"(B) For the purposes of this subsection, the term 'eligible volunteer fire department' means any established volunteer fire department in a rural town, village, or unincorporated area where the population is less than two thousand but greater than two hundred, as reasonably determined by the Secretary."

Subsec. (a)(14)(C). Pub. L. 104-127, §741(a)(6)(D)(ii), which directed substitution of "3 percent of any funds appropriated" for "2 per centum of any funds provided in appropriations Acts", was executed by making the substitution for "2 per centum of any funds provided in Appropriations Acts", to reflect the probable intent of Congress.

Subsec. (a)(15). Pub. L. 104-127, §741(a)(4), (5), redesignated par. (17) as (15) and struck out former par. (15) which authorized making or insuring of loans to associations, including corporations not operated for profit, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, and public and quasi-public agencies, for purpose of financing construction, acquisition, and operation of transmission facilities for any electric system owned and operated by a public body located in a rural area which was, as of October 1, 1976, receiving bulk power from designated agencies of Department of the Interior.

Subsec. (a)(16) to (18). Pub. L. 104-127, §741(a)(5), redesignated pars. (18) to (20) as (16) to (18), respectively. Former pars. (16) to (18) redesignated (14) to (16), respectively.

Subsec. (a)(19). Pub. L. 104-127, §763, added par. (19).

Pub. L. 104-127, §741(a)(5), redesignated par. (19) as (17).

Subsec. (a)(20). Pub. L. 104-127, §741(a)(5), redesignated par. (20) as (18).

1994—Subsec. (a)(15)(C), (D). Pub. L. 103-354 redesignated subpar. (D) as (C) and struck out former subpar. (C) which read as follows: "The Administrator of the Rural Electrification Administration shall administer loans made or insured under this paragraph."

1993—Subsec. (a)(1). Pub. L. 103-129 inserted after first sentence "The Secretary may also make loans to any borrower to whom a loan has been made under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.), for the conservation, development, use, and control of water, and the installation of drainage or waste disposal facilities, primarily serving farmers, ranchers, farm tenants, farm laborers, rural businesses, and other rural residents."

1991—Subsec. (a)(11)(B)(ii). Pub. L. 102-237, §701(a)(1), in subcl. (I) inserted "and" after semicolon and in subcl. (II) substituted a period for "and".

Subsec. (a)(12)(D), (20). Pub. L. 102-237, §701(h)(1)(A), (B), substituted "this chapter" for "this Act".

Subsec. (a)(21). Pub. L. 102-237, §701(a)(2), struck out par. (21) which was identical to par. (20).

1990—Subsec. (a)(1). Pub. L. 101-624, §2328, inserted "rural businesses," after "farm laborers,".

Subsec. (a)(2). Pub. L. 101-624, §2321, struck out “: *Provided*, That for fiscal years commencing after September 30, 1981, such grants may not exceed \$154,900,000 in any fiscal year” after “in rural areas”.

Subsec. (a)(3). Pub. L. 101-624, §2316(b), struck out “and not inconsistent with any planned development provided in any State, multijurisdictional, county, or municipal plan approved by competent authority for the area in which the rural community is located, and the Secretary shall require the submission of all applications for financial assistance under this section to the multijurisdictional substate areawide general purpose planning and development agency that has been officially designated as a clearinghouse agency under Office of Management and Budget Circular A-95 and to the county or municipal government having jurisdiction over the area in which the proposed project is to be located for review and comment within a designated period of time not to exceed 30 days concerning among other considerations, the effect of the project upon the areawide goals and plans of such agency or government. No loan under this section shall be made that is inconsistent with any multijurisdictional planning and development district areawide plan of such agency. The Secretary is authorized to reimburse such agency or government for the cost of making the required review. Until October 1, 1973, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area” after “of the rural area”.

Subsec. (a)(11). Pub. L. 101-624, §§2341, 2342, amended par. (11) generally. Prior to amendment, par. (11) read as follows: “The Secretary may make grants, not to exceed \$15,000,000 annually, to public bodies or such other agencies as the Secretary may select to provide rural development technical assistance, rural community leadership development, and community and areawide rural development planning.”

Subsec. (a)(20). Pub. L. 101-624, §2329, added par. (20).
Subsec. (a)(21). Pub. L. 101-624, §2393, added par. (21).
1986—Subsec. (a)(1), (15)(B). Pub. L. 99-514 substituted “Internal Revenue Code of 1986” for “Internal Revenue Code of 1954”, which for purposes of codification was translated as “title 26” thus requiring no change in text.

1985—Subsec. (a)(2). Pub. L. 99-198 provided for graduated scale of grant rates for each project and higher rates in communities having lower community population and income levels.

Subsec. (a)(16) to (19). Pub. L. 99-198 added pars. (16) to (19).

1981—Subsec. (a)(2). Pub. L. 97-35 inserted provisions limiting grants for fiscal years after Sept. 30, 1981.

1980—Subsec. (a)(7). Pub. L. 96-438 provided that for the purpose of loans for essential community facilities under subsection (a)(1) of this section, terms “rural” and “rural area” may include any area in any city or town with a population not in excess of twenty thousand.

Subsec. (a)(11) to (15). Pub. L. 96-355 in par. (11) substituted provisions authorizing annual grants not to exceed \$15,000,000 for rural development technical assistance, rural community leadership development, etc., for provisions authorizing annual grants not to exceed \$10,000,000 for preparation of comprehensive plans for rural development or designated aspects of such rural development, added par. (12), and redesignated former pars. (12) to (14) as (13) to (15), respectively.

1978—Subsec. (a)(1). Pub. L. 95-334, §104, inserted provisions respecting bond counsel requirements for loans under \$500,000.

Subsec. (a)(2). Pub. L. 95-334, §105, substituted “\$500,000,000” for “\$300,000,000” and “75” for “50”.

Subsec. (a)(7). Pub. L. 95-334, §106, struck out references to the Commonwealth of Puerto Rico and the Virgin Islands.

Subsec. (a)(14). Pub. L. 95-334, §107(a), added par. (14).
1973—Subsec. (a)(13). Pub. L. 91-524, title VIII, §816(c), as added by Pub. L. 93-86 added par. (13).

1972—Subsec. (a)(1). Pub. L. 92-419, §104(1), (2), authorized loans to Indian tribes on Federal and State res-

ervations and other federally recognized Indian tribes and included as an allowable use provision for essential community facilities including necessary related equipment, respectively.

Subsec. (a)(2). Pub. L. 92-419, §105, substituted “\$300,000,000” for “\$100,000,000”.

Subsec. (a)(3). Pub. L. 92-419, §§106, 107, substituted “project” for “facility” where first appearing; in item (i), substituted “project” for “facility” and inserted in such text “, if such project is carried out,”; in item (ii), substituted “will or can be” for “will be or can be”; substituted “and (iii)” for “or (iii)” and in such item (iii), substituted “an orderly community development consistent with a comprehensive community water, waste disposal, or other development plan” and “development provided in any State, multijurisdictional, county, or municipal plan approved by competent authority” for “orderly community development consistent with a comprehensive community water or sewer development plan” and “development under State, county, or municipal plans approved as official plans by competent authority”, substituted “Secretary shall require the submission of all applications for financial assistance under this section to the multijurisdictional substate areawide general purpose planning and development agency that has been officially designated as a clearinghouse agency under Office of Management and Budget Circular A-95 and to the county or municipal government having jurisdiction over the area in which the proposed project is to be located for review and comment within a designated period of time not to exceed 30 days concerning among other considerations, the effect of the project upon the areawide goals and plans of such agency or government” for “Secretary shall establish regulations requiring the submission of all applications for financial assistance under this chapter to the county or municipal government in which the proposed project is to be located for review and comment by such agency within a designated period of time”; prohibited loans inconsistent with multijurisdictional planning and development district areawide plan of the agency; authorized agency or government reimbursement for cost of making the review; and extended authority for making grants prior to completion of the comprehensive plan from Oct. 1, 1971 to Oct. 1, 1973.

Subsec. (a)(5). Pub. L. 92-419, §110, struck out provisions of former par. (5) which prohibited any loan or grant under subsec. (a) of this section which would cause the unpaid principal indebtedness of any association under this chapter and Act Aug. 28, 1937, as amended (superseded by this chapter), together with amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

Subsec. (a)(6). Pub. L. 92-419, §108, substituted “\$30,000,000” for “\$15,000,000”, struck out “official” before “comprehensive plans”, and substituted “waste disposal systems” for “sewer systems”.

Subsec. (a)(7). Pub. L. 92-419, §109, substituted definition of “rural” and “rural area” as excluding an area in a city or town with a population in excess of ten thousand inhabitants for prior provision for rural areas for purposes of water and waste disposal projects excluding an area in a city or town with a population in excess of 5,500 inhabitants, provided exception provision and special consideration for loans and grants to areas other than cities having a population of more than twenty-five thousand.

Subsec. (a)(11), (12). Pub. L. 92-419, §§111, 112, added pars. (11) and (12).

1970—Subsec. (a)(1). Pub. L. 91-617 required inclusion in gross income of the interest or other income paid to an insured holder when any loan made for a purpose specified in subsec. (a)(1) is sold out of the Agricultural Credit Insurance Fund as an insured loan.

Subsec. (c). Pub. L. 91-606 repealed subsec. (c), added by Pub. L. 89-769, §6(b), Nov. 6, 1966, 80 Stat. 1318, which related to loans to associations in areas suffering major disasters. See section 4401 et seq. of Title 42, The Public Health and Welfare.

Subsec. (d). Pub. L. 91-524 added subsec. (d).
 1968—Subsec. (a). Pub. L. 90-488 substituted “\$100,000,000” for “\$50,000,000” in par. (2), “1971” for “1968” in par. (3), and “\$15,000,000” for “\$5,000,000” in par. (6), respectively.

1966—Subsec. (c). Pub. L. 89-769 added subsec. (c).

1965—Subsec. (a). Pub. L. 89-240 designated existing provisions as par. (1), struck out “including the development of recreational facilities” after “shifts in land use”, substituted “drainage or waste disposal facilities” for “drainage facilities”, inserted “and recreational developments”, deleted provisions which prohibited loans which would cause an association’s unpaid principal indebtedness to exceed \$500,000, in the case of direct loans and \$1,000,000 in the case of insured loans at any one time, and added pars. (2) to (10).

1962—Subsec. (a). Pub. L. 87-703 authorized loans to be made or insured to provide for the application or establishment of shifts in land use including the development of recreational facilities.

EFFECTIVE DATE OF 1991 AMENDMENT

Amendment by section 701(a) of Pub. L. 102-237 effective as if included in the provision of the Food, Agriculture, Conservation, and Trade Act of 1990, Pub. L. 101-624, to which the amendment relates, and amendment by section 701(h)(1)(A), (B) of Pub. L. 102-237 to any provision specified therein effective as if included in act that added provision so specified at the time such act became law, see section 1101(b)(6), (c) of Pub. L. 102-237, set out as a note under section 1421 of this title.

EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by Pub. L. 96-355 effective Oct. 1, 1980, see section 10 of Pub. L. 96-355, set out as an Effective Date note under section 2204b of this title.

EFFECTIVE DATE OF 1978 AMENDMENT

Section 105 of Pub. L. 95-334 provided that the amendment made by that section is effective Oct. 1, 1978.

EFFECTIVE DATE OF 1970 AMENDMENTS

Section 1(b) of Pub. L. 91-617 provided that: “The amendment made by subsection (a) [amending this section] shall apply to the insured loans sold out of the Agricultural Credit Insurance Fund after the date of the enactment of this Act [Dec. 31, 1970].”

Amendment by Pub. L. 91-606 effective Dec. 31, 1970, see section 304 of Pub. L. 91-606, set out as a note under section 165 of Title 26, Internal Revenue Code.

EFFECTIVE DATE OF 1966 AMENDMENT

Amendment by Pub. L. 89-769 applicable with respect to any major disaster occurring after Oct. 3, 1964, see section 14 of Pub. L. 89-769.

TRANSFER OF FUNCTIONS

Powers, duties, and assets of agencies, offices, and other entities within Department of Agriculture relating to rural development functions transferred to Rural Development Administration by section 2302(b) of Pub. L. 101-624.

TEMPORARY EXPANDED ELIGIBILITY OF CERTAIN TIMBER-DEPENDENT COMMUNITIES IN PACIFIC NORTHWEST FOR LOANS AND GRANTS FROM RURAL DEVELOPMENT ADMINISTRATION

Pub. L. 103-427, Oct. 31, 1994, 108 Stat. 4373, provided that:

“(a) FINDINGS.—Congress finds the following:

“(1) Timber-dependent communities in the Pacific Northwest have contributed significantly to the economic needs of the United States and have helped ensure an adequate national supply of timber and timber products.

“(2) A significant portion of the timber traditionally harvested in the Pacific Northwest is derived

from Federal forest lands, and these forests have played an important role in sustaining local economies.

“(b) EXPANDED ELIGIBILITY.—During the period beginning on the date of the enactment of this Act [Oct. 31, 1994] and ending on September 30, 1998, the terms ‘rural’ and ‘rural area’, as used in the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), shall include any town, city, or municipality—

“(1) part or all of which lies within 100 miles of the boundary of a national forest covered by the Federal document entitled ‘Forest Plan for a Sustainable Economy and a Sustainable Environment’, dated July 1, 1993;

“(2) that is located in a county in which at least 15 percent of the total primary and secondary labor and proprietor income is derived from forestry, wood products, or forest-related industries such as recreation and tourism; and

“(3) that has a population of not more than 25,000 inhabitants.

“(c) EFFECT ON STATE ALLOTMENTS OF FUNDS.—This section shall not be taken into consideration in allotting funds to the various States for purposes of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), or otherwise affect or alter the manner under which such funds were allotted to States before the date of the enactment of this Act [Oct. 31, 1994].”

RURAL WASTEWATER TREATMENT CIRCUIT RIDER PROGRAM

Section 2324 of Pub. L. 101-624 directed Secretary to establish national rural wastewater circuit rider grant program that was to be modeled after existing National Rural Water Association Rural Water Circuit Rider Program that received funding from Farmers Home Administration and authorized \$4,000,000 for each fiscal year to carry out such program, prior to repeal by Pub. L. 104-127, title VII, § 703, Apr. 4, 1996, 110 Stat. 1108.

INTEREST RATE RESTRUCTURING FOR CERTAIN BORROWERS

Pub. L. 100-233, title VI, § 615(b)(2), Jan. 6, 1988, 101 Stat. 1682, provided that: “Effective July 29, 1987, the interest rate charged on any loan of \$2,000,000 or more made on such date under section 306 [7 U.S.C. 1926] to any nonprofit corporation shall be the interest rate quoted to such nonprofit corporation by the Farmers Home Administration on June 22, 1987, in the request for obligation of funds made with respect to the loan.”

LEASE OF CERTAIN ACQUIRED PROPERTY

Pub. L. 100-233, title VI, § 620, Jan. 6, 1988, 101 Stat. 1684, provided that: “Notwithstanding any other provision of law, the Secretary of Agriculture may lease to public or private nonprofit organizations, for a nominal rent, any facilities acquired in connection with the disposition of a loan made by the Secretary under section 306 [7 U.S.C. 1926]. Any such lease shall be for such reasonable period of time as the Secretary determines is appropriate.”

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 917, 1927, 1929, 1929a, 1983, 1983a, 1992, 2001a, 2009, 2009d, 2204b, 2204b-1, 6613, 6942, 6944 of this title; title 16 section 2106; title 42 section 5153.

§ 1926-1. Repealed. Pub. L. 104-127, title VII, § 702, Apr. 4, 1996, 110 Stat. 1108

Section, Pub. L. 101-624, title XXIII, § 2322, Nov. 28, 1990, 104 Stat. 4010; Pub. L. 102-237, title VII, § 702(f), Dec. 13, 1991, 105 Stat. 1880; Pub. L. 103-354, title II, § 235(b)(6), Oct. 13, 1994, 108 Stat. 3222, related to water and waste facility financing, including provisions relating to authority, limitation, priority, coordination, terms, private sector capital, appropriations, repay-

ment, full use, and replenishment of water and waste facility fund.

§ 1926a. Emergency community water assistance grant program

(a) In general

The Secretary shall provide grants in accordance with this section to assist the residents of rural areas and small communities to secure adequate quantities of safe water—

(1) after a significant decline in the quantity or quality of water available from the water supplies of such rural areas and small communities; or

(2) when repairs, partial replacement, or significant maintenance efforts on established water systems would remedy—

(A) an acute shortage of quality water; or

(B) a significant decline in the quantity or quality of water that is available.

(b) Priority

In carrying out subsection (a) of this section, the Secretary shall—

(1) give priority to projects described in subsection (a)(1) of this section; and

(2) provide at least 70 percent of all such grants to such projects.

(c) Eligibility

To be eligible to obtain a grant under this section, an applicant shall—

(1) be a public or private nonprofit entity; and

(2) in the case of a grant made under subsection (a)(1) of this section, demonstrate to the Secretary that the decline referred to in such subsection occurred within 2 years of the date the application was filed for such grant.

(d) Uses

(1) In general

Grants made under this section may be used for waterline extensions from existing systems, laying of new waterlines, repairs, significant maintenance, digging of new wells, equipment replacement, hook and tap fees, and any other appropriate purpose associated with developing sources of, or treating, storing, or distributing water, and to assist communities in complying with the requirements of the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.) or the Safe Drinking Water Act (42 U.S.C. 300f et seq.).

(2) Joint proposals

Nothing in this section shall preclude rural communities from submitting joint proposals for emergency water assistance, subject to the restrictions contained in subsection (e) of this section. Such restrictions should be considered in the aggregate, depending on the number of communities involved.

(e) Restrictions

(1) Maximum population and income

No grant provided under this section shall be used to assist any rural area or community that—

(A) includes any area in any city or town with a population in excess of 10,000 inhabitants according to the most recent decennial census of the United States; or

(B) has a median household income in excess of the State nonmetropolitan median household income according to the most recent decennial census of the United States.

(2) Set-aside for smaller communities

Not less than 50 percent of the funds allocated under this section shall be allocated to rural communities with populations that do not exceed 3,000 inhabitants.

(f) Maximum grants

Grants made under this section may not exceed—

(1) in the case of each grant made under subsection (a)(1) of this section, \$500,000; and

(2) in the case of each grant made under subsection (a)(2) of this section, \$75,000.

(g) Full funding

Subject to subsection (e) of this section, grants under this section shall be made in an amount equal to 100 percent of the costs of the projects conducted under this section.

(h) Application

(1) Nationally competitive application process

The Secretary shall develop a nationally competitive application process to award grants under this section. The process shall include criteria for evaluating applications, including population, median household income, and the severity of the decline in quantity or quality of water.

(2) Timing

The Secretary shall make every effort to review and act on applications within 60 days of the date that such applications are submitted.

(i) Authorization of appropriations

There are authorized to be appropriated to carry out this section \$35,000,000 for each of fiscal years 1996 through 2002.

(Pub. L. 87–128, title III, § 306A, as added Pub. L. 101–82, title V, § 501(a), Aug. 14, 1989, 103 Stat. 584; amended Pub. L. 104–127, title VII, § 742, Apr. 4, 1996, 110 Stat. 1124.)

REFERENCES IN TEXT

The Federal Water Pollution Control Act, referred to in subsec. (d)(1), is act June 30, 1948, ch. 758, as amended generally by Pub. L. 92–500, § 2, Oct. 18, 1972, 86 Stat. 816, which is classified generally to chapter 26 (§ 1251 et seq.) of Title 33, Navigation and Navigable Waters. For complete classification of this Act to the Code, see Short Title note set out under section 1251 of Title 33 and Tables.

The Safe Drinking Water Act, referred to in subsec. (d)(1), is title XIV of act July 1, 1944, as added Dec. 16, 1974, Pub. L. 93–523, § 2(a), 88 Stat. 1660, as amended, which is classified generally to subchapter XII (§ 300f et seq.) of chapter 6A of Title 42, The Public Health and Welfare. For complete classification of this Act to the Code, see Short Title note set out under section 201 of Title 42 and Tables.

AMENDMENTS

1996—Subsec. (e)(1)(A). Pub. L. 104–127, § 742(1)(A), substituted “10,000” for “15,000”.

Subsec. (e)(2). Pub. L. 104–127, § 742(1)(B), substituted “3,000” for “5,000”.

Subsec. (i). Pub. L. 104–127, § 742(2), added subsec. (i) and struck out heading and text of former subsec. (i). Text read as follows: “There are authorized to be ap-

propriated to carry out this section, \$35,000,000 for each of the fiscal years 1990 and 1991, such sums to remain authorized until fully appropriated.”

IMPLEMENTATION

Section 501(b) of Pub. L. 101-82 provided that:

“(1) REGULATIONS.—The Secretary of Agriculture shall publish—

“(A) interim final regulations to carry out section 306A of the Consolidated Farm and Rural Development Act [7 U.S.C. 1926a] (as added by subsection (a) of this section) not later than 45 days after the date of enactment of this Act [Aug. 14, 1989]; and

“(B) final regulations to carry out section 306A of such Act not later than 90 days after the date of enactment of this Act.

“(2) FUNDS.—

“(A) OBLIGATION.—The Secretary shall designate 70 percent of the funds made available for the first fiscal year for which appropriations are made under section 306A(i) of the Consolidated Farm and Rural Development Act not later than 5 months after the date such funds are appropriated.

“(B) RELEASE.—The Secretary may release funds prior to the issuance of final regulations under paragraph (1)(B) for grants under section 306A(a)(1) of the Consolidated Farm and Rural Development Act.”

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 917, 2009d, 6942 of this title.

§ 1926b. Repealed. Pub. L. 104-127, title VII, § 743, Apr. 4, 1996, 110 Stat. 1125

Section, Pub. L. 87-128, title III, § 306B, as added Pub. L. 101-624, title XXIII, § 2326(a), Nov. 28, 1990, 104 Stat. 4014, related to emergency community water assistance grant program, including general provisions and provisions relating to priority, eligibility, uses, restrictions, maximum grants, full funding, application, and limitations on authorization of appropriations.

§ 1926c. Water and waste facility loans and grants to alleviate health risks

(a) Loans and grants to persons other than individuals

(1) In general

The Secretary shall make or insure loans and make grants to rural water supply corporations, cooperatives, or similar entities, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, and public agencies, to provide for the conservation, development, use, and control of water (including the extension or improvement of existing water supply systems), and the installation or improvement of drainage or waste disposal facilities and essential community facilities including necessary related equipment. Such loans and grants shall be available only to provide such water and waste facilities and services to communities whose residents face significant health risks, as determined by the Secretary, due to the fact that a significant proportion of the community's residents do not have access to, or are not served by, adequate affordable—

(A) water supply systems; or

(B) waste disposal facilities.

(2) Certain areas targeted

(A) In general

Loans and grants under paragraph (1) shall be made only if the loan or grant funds will

be used primarily to provide water or waste services, or both, to residents of a county—

(i) the per capita income of the residents of which is not more than 70 percent of the national average per capita income, as determined by the Department of Commerce; and

(ii) the unemployment rate of the residents of which is not less than 125 percent of the national average unemployment rate, as determined by the Bureau of Labor Statistics.

(B) Exception

Notwithstanding subparagraph (A), loans and grants under paragraph (1) may also be made if the loan or grant funds will be used primarily to provide water or waste services, or both, to residents of a rural area that was recognized as a colonia as of October 1, 1989.

(b) Loans and grants to individuals

(1) In general

The Secretary shall make or insure loans and make grants to individuals who reside in a community described in subsection (a)(1) of this section for the purpose of extending water supply and waste disposal systems, connecting the systems to the residences of the individuals, or installing plumbing and fixtures within the residences of the individuals to facilitate the use of the water supply and waste disposal systems. Such loans shall be at a rate of interest no greater than the Federal Financing Bank rate on loans of a similar term at the time such loans are made. The repayment of such loans shall be amortized over the expected life of the water supply or waste disposal system to which the residence of the borrower will be connected.

(2) Manner in which loans and grants are to be made

Loans and grants to individuals under paragraph (1) shall be made—

(A) directly to such individuals by the Secretary; or

(B) to such individuals through the rural water supply corporation, cooperative, or similar entity, or public agency, providing such water supply or waste disposal services, pursuant to regulations issued by the Secretary.

(c) Preference

The Secretary shall give preference in the awarding of loans and grants—

(1) under subsection (a) of this section to rural water supply corporations, cooperatives, or similar entities, or public agencies, that propose to provide water supply or waste disposal services to the residents of those rural subdivisions commonly referred to as colonias, that are characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities; and

(2) under subsection (b) of this section to individuals who reside in a rural subdivision commonly referred to as a colonia, that is characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities.

(d) "Cooperative" defined

For purposes of this section, the term "cooperative" means a cooperative formed specifically for the purpose of the installation, expansion, improvement, or operation of water supply or waste disposal facilities or systems.

(e) Limitations on authorization of appropriations

There are authorized to be appropriated—

(1) for grants under this section, \$30,000,000 for each fiscal year; and

(2) for loans under this section, \$30,000,000 for each fiscal year.

(f) Regulations

Not later than 30 days after October 28, 1992, the Secretary shall issue interim final regulations, with a request for public comments, implementing this section.

(Pub. L. 87-128, title III, § 306C, as added Pub. L. 101-624, title XXIII, § 2327, Nov. 28, 1990, 104 Stat. 4015; amended Pub. L. 102-237, title VII, § 701(b), Dec. 13, 1991, 105 Stat. 1879; Pub. L. 102-552, title V, § 516(l), (m), Oct. 28, 1992, 106 Stat. 4139; Pub. L. 102-554, § 24, Oct. 28, 1992, 106 Stat. 4161.)

AMENDMENTS

1992—Subsec. (a)(2). Pub. L. 102-554 amended par. (2) generally. Prior to amendment, par. (2) read as follows: "(2) CERTAIN COUNTIES TARGETED.—Loans and grants under paragraph (1) shall be made only if the loan or grant funds will be used primarily to provide water or waste services, or both, to residents of a county—

"(A) the per capita income of the residents of which is not more than 70 percent of the national average per capita income, as determined by the Department of Commerce; and

"(B) the unemployment rate of the residents of which is not less than 125 percent of the national average unemployment rate, as determined by the Bureau of Labor Statistics."

Subsec. (b)(1). Pub. L. 102-552, § 516(l), substituted ", connecting the systems to the residences of the individuals, or installing plumbing and fixtures within the residences of the individuals to facilitate the use of the water supply and waste disposal systems" for "or connecting such systems to the residences of such individuals".

Subsec. (f). Pub. L. 102-552, § 516(m), added subsec. (f).

1991—Subsec. (a)(2). Pub. L. 102-237 realigned margins of subpars. (A) and (B).

EFFECTIVE DATE OF 1991 AMENDMENT

Amendment by Pub. L. 102-237 effective as if included in the provision of the Food, Agriculture, Conservation, and Trade Act of 1990, Pub. L. 101-624, to which the amendment relates, see section 1101(b)(6) of Pub. L. 102-237, set out as a note under section 1421 of this title.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 917, 6942 of this title; title 8 section 1611.

§ 1926d. Water systems for rural and Native villages in Alaska**(a) In general**

The Secretary may make grants to the State of Alaska for the benefit of rural or Native villages in Alaska to provide for the development and construction of water and wastewater systems to improve the health and sanitation conditions in those villages.

(b) Matching funds

To be eligible to receive a grant under subsection (a) of this section, the State of Alaska

shall provide 25 percent in matching funds from non-Federal sources.

(c) Consultation with State of Alaska

The Secretary shall consult with the State of Alaska on a method of prioritizing the allocation of grants under subsection (a) of this section according to the needs of, and relative health and sanitation conditions in, each village.

(d) Authorization of appropriations

There are authorized to be appropriated to carry out this section \$20,000,000 for each of fiscal years 1996 through 2002.

(Pub. L. 87-128, title III, § 306D, as added Pub. L. 104-127, title VII, § 757, Apr. 4, 1996, 110 Stat. 1131; amended Pub. L. 105-277, div. A, title I, § 101(a) [title VII, § 745], Oct. 21, 1998, 112 Stat. 2681, 2681-32.)

AMENDMENTS

1998—Subsec. (b). Pub. L. 105-277 substituted "25 percent in matching" for "equal matching".

Subsec. (d). Pub. L. 105-277 substituted "\$20,000,000" for "\$15,000,000".

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 917 of this title.

§ 1927. Repayment requirements**(a) Period of repayment; interest rates**

(1) The period for repayment of loans under this subchapter shall not exceed forty years.

(2) Except as otherwise provided in paragraphs (3), (4), (5), and (6) of this subsection, the interest rates on loans under this subchapter shall be as determined by the Secretary, but not in excess of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus not to exceed 1 per centum, as determined by the Secretary, and adjusted to the nearest one-eighth of 1 per centum.

(3)(A) Notwithstanding the provisions of the constitution or laws of any State limiting the rate or amount of interest that may be charged, taken, received, or reserved, except as provided in paragraph (6), the interest rates on loans (other than guaranteed loans), to public bodies or nonprofit associations (including Indian tribes on Federal and State reservations and other federally recognized Indian tribal groups) for water and waste disposal facilities and essential community facilities shall be set by the Secretary at rates not to exceed the current market yield for outstanding municipal obligations with remaining periods to maturity comparable to the average maturity for such loans, and adjusted to the nearest one-eighth of 1 per centum; and not in excess of 5 per centum per annum for any such loans which are for the upgrading of existing facilities or construction of new facilities as required to meet applicable health or sanitary standards in areas where the median household income of the persons to be served by such facility is below the higher of 80 per centum of the statewide nonmetropolitan median household income or the poverty line established by the Office of Management and

Budget, as revised under section 9902(2) of title 42 and in other areas as the Secretary may designate where a significant percentage of the persons to be served by such facilities are of low income, as determined by the Secretary; and not in excess of 7 per centum per annum on loans for such facilities that do not qualify for the 5 per centum per annum interest rate but are located in areas where the median household income of the persons to be served by the facility does not exceed 100 per centum of the statewide non-metropolitan median household income.

(B) Except as provided in subparagraph (D) and in paragraph (6), the interest rate on loans (other than guaranteed loans) under section 1934 of this title shall not be—

(i) greater than the sum of—

(I) an amount that does not exceed one-half of the current average market yield on outstanding marketable obligations of the United States with maturities of 5 years; and

(II) an amount not exceeding 1 percent per year, as the Secretary determines is appropriate; or

(ii) less than 5 percent per year.

(C) Notwithstanding subparagraph (A), the Secretary shall establish loan rates for health care and related facilities based solely on the income of the area to be served, and such rates shall be otherwise consistent with such subparagraph.

(D) JOINT FINANCING ARRANGEMENT.—If a direct farm ownership loan is made under this subchapter as part of a joint financing arrangement and the amount of the direct farm ownership loan does not exceed 50 percent of the total principal amount financed under the arrangement, the interest rate on the direct farm ownership loan shall be at least 4 percent annually.

(4) Except as provided in paragraph (6), the interest rates on loans under sections 1926(a)(1) and 1932 of this title (other than guaranteed loans and loans as described in paragraph (3) of this subsection) shall be as determined by the Secretary, but not less than such rates as determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted in the judgment of the Secretary of the Treasury to provide for rates comparable to the rates prevailing in the private market for similar loans and considering the Secretary's insurance of the loans, plus an additional charge, prescribed by the Secretary, to cover the Secretary's losses and cost of administration, which charge shall be deposited in the Rural Development Insurance Fund, and further adjusted to the nearest one-eighth of 1 per centum.

(5)(A) Except as provided in subparagraph (B), the interest rate on any loan made under this subchapter as a guaranteed loan shall be such rate as may be agreed upon by the borrower and the lender, but not in excess of a rate as may be determined by the Secretary.

(B) In the case of a loan made under section 1932 of this title as a guaranteed loan, subpara-

graph (A) shall apply notwithstanding the provisions of the constitution or laws of any State limiting the rate or amount of interest that may be charged, taken, received, or reserved.

(6)(A) Notwithstanding any other provision of this section, in the case of loans (other than guaranteed loans) made or insured under the authorities of this chapter specified in subparagraph (B) for activities that involve the use of prime farmland as defined in subparagraph (C), the interest rates shall be the interest rates otherwise applicable under this section increased by 2 per centum per annum. Wherever practicable, construction by a State, municipality, or other political subdivision of local government that is supported by loans described in the preceding sentence shall be placed on land that is not prime farmland, in order to preserve the maximum practicable amount of prime farmlands for production of food and fiber. Where other options exist for the siting of such construction and where the governmental authority still desires to carry out such construction on prime farmland, the 2 per centum interest rate increase provided by this clause shall apply, but such increased interest rate shall not apply where such other options do not exist.

(B) The authorities referred to in subparagraph (A) are—

(i) the provisions of section 1926(a)(1) of this title relating to loans for recreational developments and essential community facilities,

(ii) clause (1) of section 1932(a) of this title, and

(iii) section 1932(d) of this title.

(C) For purposes of this paragraph, the term "prime farmland" means prime farmlands and unique farmland as those terms are defined in sections 657.5(a) and (b) of title 7, Code of Federal Regulations (1980).

(b) Payment of charges; prepayment of taxes and insurance

The borrower shall pay such fees and other charges as the Secretary may require, and borrowers under this chapter shall prepay to the Secretary such taxes and insurance as the Secretary may require, on such terms and conditions as the Secretary may prescribe.

(c) Mortgages, liens, and other security

The Secretary shall take as security for the obligations entered into in connection with loans, mortgages on farms with respect to which such loans are made or such other security as the Secretary may require, and for obligations in connection with loans to associations under section 1926 of this title, shall take liens on the facility or such other security as he may determine to be necessary. Such security instruments may constitute liens running to the United States notwithstanding the fact that the notes may be held by lenders other than the United States. A borrower may use the same collateral to secure two or more loans made, insured, or guaranteed under this subchapter, except that the outstanding amount of such loans may not exceed the total value of the collateral so used.

(d) Mineral rights as collateral

With respect to a farm ownership loan made after December 23, 1985, unless appraised values

of the rights to oil, gas, or other minerals are specifically included as part of the appraised value of collateral securing the loan, the rights to oil, gas, or other minerals located under the property shall not be considered part of the collateral securing the loan. Nothing in this subsection shall prevent the inclusion of, as part of the collateral securing the loan, any payment or other compensation the borrower may receive for damages to the surface of the collateral real estate resulting from the exploration for or recovery of minerals.

(e) Additional collateral

The Secretary may not—

(1) require any borrower to provide additional collateral to secure a farmer program loan made or insured under this chapter, if the borrower is current in the payment of principal and interest on the loan; or

(2) bring any action to foreclose, or otherwise liquidate, any such loan as a result of the failure of a borrower to provide additional collateral to secure a loan, if the borrower was current in the payment of principal and interest on the loan at the time the additional collateral was requested.

(Pub. L. 87-128, title III, §307, Aug. 8, 1961, 75 Stat. 308; Pub. L. 92-419, title I, §§113, 114, 128(b), Aug. 30, 1972, 86 Stat. 660, 666; Pub. L. 95-334, title I, §108, Aug. 4, 1978, 92 Stat. 422; Pub. L. 97-35, title I, §160(a), Aug. 13, 1981, 95 Stat. 376; Pub. L. 99-198, title XIII, §§1304A, 1305, Dec. 23, 1985, 99 Stat. 1521; Pub. L. 100-233, title VI, §§603, 604, Jan. 6, 1988, 101 Stat. 1665, 1666; Pub. L. 101-624, title XVIII, §1803(a), title XXIII, §2383, Nov. 28, 1990, 104 Stat. 3818, 4050; Pub. L. 102-552, title V, §516(c)(1), Oct. 28, 1992, 106 Stat. 4137; Pub. L. 103-328, title I, §113(a), Sept. 29, 1994, 108 Stat. 2366; Pub. L. 104-127, title VI, §§604, 661(a), title VII, §747(b)(1), Apr. 4, 1996, 110 Stat. 1086, 1106, 1128.)

REFERENCES IN TEXT

For definition of “this chapter”, referred to in subsections (a)(6)(A) and (e)(1), see note set out under section 1921 of this title.

AMENDMENTS

1996—Subsec. (a)(3)(B). Pub. L. 104-127, §604(1), inserted “subparagraph (D) and in” after “Except as provided in”.

Subsec. (a)(3)(D). Pub. L. 104-127, §604(2), added subpar. (D).

Subsec. (a)(4). Pub. L. 104-127, §661(a)(1), substituted “1926(a)(1) and 1932 of this title” for “1924(b), 1926(a)(1), and 1932 of this title”.

Subsec. (a)(6)(B). Pub. L. 104-127, §661(a)(2), inserted “and” at end of cl. (v), substituted a period for “, and” at end of cl. (vi), redesignated cls. (iii), (v), and (vi) as (i), (ii), and (iii), respectively, and struck out cls. (i), (ii), (iv), and (vii) which read as follows:

“(i) clauses (2) and (3) of section 1923(a) of this title,

“(ii) section 1924(b) of this title,

“(iv) section 1926(a)(15) of this title,

“(vii) section 1934(a) of this title as it relates to the making or insuring of loans under clauses (2) and (3) of section 1923(a) of this title.”

Subsec. (a)(6)(B)(iii). Pub. L. 104-127, §747(b)(1), substituted “section 1932(d) of this title” for “subsections (d) and (e) of section 1932 of this title”.

1994—Subsec. (a)(3)(A). Pub. L. 103-328, §113(a)(1), substituted “Notwithstanding the provisions of the constitution or laws of any State limiting the rate or

amount of interest that may be charged, taken, received, or reserved, except” for “Except”.

Subsec. (a)(5). Pub. L. 103-328, §113(a)(2), substituted “(5)(A) Except as provided in subparagraph (B), the” for “(5) The” and added subpar. (B).

1992—Subsec. (a)(6)(B)(ii) to (viii). Pub. L. 102-552 redesignated cls. (iii) to (viii) as (ii) to (vii) and struck out former cl. (ii) which read as follows: “the provisions of section 1924(a) of this title, relating to the financing of outdoor recreational enterprises or the conversion of farming or ranching operations to recreational uses.”

1990—Subsec. (a)(3)(A). Pub. L. 101-624, §2383(1), substituted “guaranteed” for “guaranteed”.

Subsec. (a)(3)(B). Pub. L. 101-624, §1803(a), amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows: “Except as provided in paragraph (6), the interest rates on loans (other than guaranteed loans) under section 1934 of this title shall be as determined by the Secretary, but not in excess of one-half of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, nor less than 5 per centum per annum.”

Subsec. (a)(3)(C). Pub. L. 101-624, §2383(2), added subpar. (C).

1988—Subsec. (c). Pub. L. 100-233, §603, inserted provisions at end relating to use of same collateral to secure two or more loans made, insured, or guaranteed under this subchapter.

Subsec. (e). Pub. L. 100-233, §604, added subsec. (e).

1985—Subsec. (a)(3)(A). Pub. L. 99-198, §1304A, substituted “where the median household income of the persons to be served by such facility is below the higher of 80 per centum of the statewide nonmetropolitan median household income or the poverty line established by the Office of Management and Budget, as revised under section 9902(2) of title 42” for “where the median family income of the persons to be served by such facility is below the poverty line prescribed by the Office of Management and Budget as adjusted under section 2971d of title 42” and prescribed a 7 per centum per annum ceiling on loans for facilities that do not qualify for the 5 per centum per annum interest rate but are located in areas where the median household income of the persons to be served by the facility does not exceed 100 per centum of the statewide nonmetropolitan median household income.

Subsec. (d). Pub. L. 99-198, §1305, added subsec. (d).

1981—Subsec. (a). Pub. L. 97-35 in par. (2) inserted reference to par. (6), in par. (3) designated existing provisions as subpar. (A), expanded provisions to take into account provisions of par. (6) and revised criteria for determination of applicable interest rates, and added subpar. (B), in par. (4) inserted exception for par. (6), and added par. (6).

1978—Subsec. (a). Pub. L. 95-334, §108(1), substituted provisions relating to determination of interest rates on loans, except as provided in pars. (3) to (5), as not in excess of the current average market yield on outstanding marketable obligations of the United States, with comparable remaining periods of maturity to the average maturities of such loans plus additional adjusted amounts, for provisions relating to establishment of interest rates on loans, except as specifically provided, but not in excess of 5 per centum per annum.

Subsecs. (b), (c). Pub. L. 95-334, §108(2), (3), added subsec. (b) and redesignated former subsec. (b) as (c).

1972—Subsec. (a). Pub. L. 92-419, §§113, 114, prescribed interest rates on rural development other than guaranteed and guaranteed loans and escrow payment of taxes and insurance, respectively.

Subsec. (b). Pub. L. 92-419, §128(b), substituted “may” for “shall” in second sentence.

EFFECTIVE DATE OF 1994 AMENDMENT

Section 113(b) of Pub. L. 103-328 provided that:

“(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by subsection (a)

[amending this section] shall apply to a loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in a State on or after the date of enactment of this Act [Sept. 29, 1994].

“(2) STATE OPTION.—Except as provided in paragraph (3), the amendments made by subsection (a) shall not apply to a loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act in a State after the date (that occurs during the 3-year period beginning on the date of enactment of this Act) on which the State adopts a law or certifies that the voters of the State have voted in favor of a provision of the constitution or law of the State that states that the State does not want the amendments made by subsection (a) to apply with respect to loans made, insured, or guaranteed under such Act in the State.

“(3) TRANSITIONAL PERIOD.—In any case in which a State takes an action described in paragraph (2), the amendments made by subsection (a) shall continue to apply to a loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act in the State after the date the action was taken pursuant to a commitment for the loan that was entered into during the period beginning on the date of enactment of this Act, and ending on the date on which the State takes the action.”

EFFECTIVE DATE OF 1992 AMENDMENT

Section 516(c)(2) of Pub. L. 102-552 provided that: “The amendments made by paragraph (1) of this subsection [amending this section] shall take effect at the same time as the amendments made by section 501(a) of the Food, Agriculture, Conservation, and Trade Act Amendments of 1991 (Public Law 102-237; 105 Stat. 1865) [amending section 1924 of this title] took effect.

EFFECTIVE DATE OF 1981 AMENDMENT

Section 160(c) of Pub. L. 97-35 provided that: “The amendments made by this section [amending this section and section 1946 of this title] shall apply to loans approved after September 30, 1981.”

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 935, 1926, 1929, 1991 of this title; title 25 section 492.

§ 1927a. Loan interest rates charged by Farmers Home Administration; grant funds associated with loans

Effective October 1, 1981, and thereafter, in the case of water and waste disposal and community facility borrowers, and effective November 12, 1983, and thereafter, in the case of housing and farm borrowers, upon request of the borrower, the interest rate charged by the Farmers Home Administration to such borrowers shall be the lower of the rates in effect at either the time of loan approval or loan closing and any Farmers Home Administration grant funds associated with such loans shall be set in amount based on the interest rate in effect at the time of loan approval.

(Pub. L. 99-88, title I, § 100, Aug. 15, 1985, 99 Stat. 296; Pub. L. 100-233, title VI, § 615(b)(1)(A), Jan. 6, 1988, 101 Stat. 1681.)

CODIFICATION

Section was enacted as part of the Supplemental Appropriations Act, 1985, and not as part of the Consolidated Farm and Rural Development Act which comprises this chapter.

AMENDMENTS

1988—Pub. L. 100-233 substituted “Effective October 1, 1981, and thereafter, in the case of water and waste dis-

posal and community facility borrowers, and effective November 12, 1983, and thereafter, in the case of housing and farm borrowers” for “Effective November 12, 1983, and thereafter” and “to such borrowers” for “to housing, farm, water and waste disposal, and community facility borrowers”.

APPLICABILITY OF 1988 AMENDMENT

Section 615(b)(1)(B) of Pub. L. 100-233 provided that: “The amendment made by subparagraph (A) [amending this section] shall not apply to any note or other obligation sold under section 1001 of the Omnibus [Budget] Reconciliation Act of 1986 [Pub. L. 99-509, 7 U.S.C. 1929a note] on or before the date of the enactment of this paragraph [Jan. 6, 1988].”

§ 1928. Full faith and credit

(a) In general

A contract of insurance or guarantee executed by the Secretary under this chapter shall be an obligation supported by the full faith and credit of the United States.

(b) Contestability

A contract of insurance or guarantee executed by the Secretary under this chapter shall be incontestable except for fraud or misrepresentation that the lender or any holder—

- (1) has actual knowledge of at the time the contract or guarantee is executed; or
- (2) participates in or condones.

(Pub. L. 87-128, title III, § 308, Aug. 8, 1961, 75 Stat. 308; Pub. L. 87-798, Oct. 11, 1962, 76 Stat. 908; Pub. L. 89-240, § 2(a), Oct. 7, 1965, 79 Stat. 932; Pub. L. 90-488, § 6, Aug. 15, 1968, 82 Stat. 770; Pub. L. 92-133, Oct. 5, 1971, 85 Stat. 364; Pub. L. 101-624, title XXIII, § 2388(a), Nov. 28, 1990, 104 Stat. 4052; Pub. L. 104-127, title VI, § 605, Apr. 4, 1996, 110 Stat. 1086.)

REFERENCES IN TEXT

For definition of “this chapter”, referred to in text, see note set out under section 1921 of this title.

AMENDMENTS

1996—Pub. L. 104-127 amended section generally. Prior to amendment, section read as follows: “Loans under this subchapter may be insured by the Secretary whenever funds are advanced or a loan is purchased by a lender other than the United States. In connection with insurance of loans, the Secretary—

“(1) is authorized to make agreements with respect to the servicing of loans insured hereunder and to purchase such loans on such terms and conditions as he may prescribe; and

“(2) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan.

Any contract of insurance executed by the Secretary under this subchapter shall be an obligation supported by the full faith and credit of the United States and incontestable except for fraud or misrepresentation of which the holder has actual knowledge.”

1990—Pub. L. 101-624 redesignated pars. (a) and (b) as pars. (1) and (2), respectively, and in par. (1), substituted “prescribe;” for “prescribe;.”

1971—Pub. L. 92-133 eliminated October 1, 1971, as time limitation for insurance of loans.

1968—Pub. L. 90-488 authorized insurance of loans until Oct. 1, 1971, without the \$450,000,000 limitation on aggregate amount in any one year.

1965—Pub. L. 89-240 substituted “\$450,000,000” for “\$200,000,000”, “may retain” for “shall retain”, and “specified in the insurance agreement applicable to the loan” for “determined by the Secretary from time to

time equivalent to not less than one-half of 1 per centum per annum on the principal unpaid balance of the loan", and struck out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note" after "he may prescribe".

1962—Pub. L. 87-798 increased aggregate amount of loans that may be insured in any one year from \$150,000,000 to \$200,000,000.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in title 25 section 488; title 42 section 1485.

§ 1929. Agricultural Credit Insurance Fund

(a) Revolving fund

The fund established pursuant to section 11(a) of the Bankhead-Jones Farm Tenant Act, as amended, shall hereafter be called the Agricultural Credit Insurance Fund and is hereinafter in this subchapter referred to as the "fund". The fund shall remain available as a revolving fund for the discharge of the obligations of the Secretary under agreements insuring loans under this subchapter and loans and mortgages insured under prior authority.

(b) Deposits of funds; investments; purchase of notes

Moneys in the fund not needed for current operations shall be deposited in the Treasury of the United States to the credit of the fund or invested in direct obligations of the United States or obligations guaranteed by the United States. The Secretary may purchase with money in the fund any notes issued by the Secretary to the Secretary of the Treasury for the purpose of obtaining money for the fund.

(c) Notes; form and denominations; maturities; terms and conditions; interest rate; purchase by Treasury; public debt transaction

The Secretary is authorized to make and issue notes to the Secretary of the Treasury for the purpose of obtaining funds necessary for discharging obligations under this section and for authorized expenditures out of the fund. Such notes shall be in such form and denominations and have such maturities and be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yield of outstanding marketable obligations of the United States having maturities comparable to the notes issued by the Secretary under this subchapter. The Secretary of the Treasury is authorized and directed to purchase any notes of the Secretary issued hereunder, and, for that purpose, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, and the purposes for which such securities may be issued under such chapter are extended to include the purchase of notes issued by the Secretary. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes shall be treated as public debt transactions of the United States.

(d) Notes and security as part of fund; collection or sale of notes; deposit of net proceeds in fund

Notes and security acquired by the Secretary in connection with loans insured under this subchapter and under prior authority shall become a part of the fund. Notes may be held in the fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof at the balance due thereon, or on such other basis as the Secretary may determine from time to time. All net proceeds from such collections, including sales of notes or property, shall be deposited in and become a part of the fund.

(e) Deposit in fund of portion of charge on outstanding principal obligations; availability of remainder of charge, and merger with appropriations, for administrative expenses

The Secretary shall deposit in the fund all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge shall be available for administrative expenses of the Farmers Home Administration and the Rural Development Administration, in proportion to such charges collected in connection with the insurance of loans by such agency, to be transferred annually and become merged with any appropriation for administrative expenses for such agency.

(f) Utilization of fund

The Secretary may utilize the fund—

(1) to pay amounts to which the holder of the note is entitled on loans heretofore or hereafter insured accruing between the date of any payments made by the borrower and the date of transmittal of any such payments to the lender. In the discretion of the Secretary, payments other than final payments need not be remitted to the holder until due or until the next agreed annual or semiannual remittance date;

(2) to pay to the holder of the notes any deferred or defaulted installment or, upon assignment of the note to the Secretary at the Secretary's request, the entire balance due on the loan;

(3) to purchase notes in accordance with agreements previously entered into;

(4) to pay for contract services, taxes, insurance, prior liens, expenses necessary to make fiscal adjustments in connection with the application and transmittal of collections and other expenses and advances authorized in connection with insured loans, including the difference between interest payable by borrowers and interest to which insured lenders or insured holders are entitled under agreements with the Secretary included in contracts of insurance;

(5) to pay the Secretary's costs of administration necessary to insure, make grants, service, and otherwise carry out the programs under this chapter not specifically covered by the Rural Development Insurance Fund of section 1929a of this title, including costs of the Secretary incidental to guaranteeing loans

under this chapter, either directly from the Fund or by transfers from the Fund to, and merger with, any appropriations for administrative expenses.

(g) Transfer of funds from Farmers Home Administration direct loan account and Emergency Credit Revolving Fund; abolition of such account and fund; payments from Agricultural Credit Insurance Fund; interest

(1) The assets and liabilities of, and authorizations applicable to, the Farmers Home Administration direct loan account created by section 1988(c) of this title (before the amendment made by section 749(a)(1) of the Federal Agriculture Improvement and Reform Act of 1996) and the Emergency Credit Revolving Fund referred to in section 1966 of this title are hereby transferred to the fund, and such account and such revolving fund are hereby abolished. Such assets and their proceeds, including loans made out of the fund pursuant to this section, shall be subject to the provisions of this section, the last sentence of section 1926(a)(1), and the last sentence of section 1927 of this title.

(2) From time to time, and at least at the close of each fiscal year, the Secretary shall pay from the fund into the Treasury as miscellaneous receipts interest on the value as determined by the Secretary, with the approval of the Comptroller General, of the Government's equity transferred to the fund pursuant to the first sentence of this subsection plus the cumulative amount of appropriations made available after enactment of this provision as capital and for administration of the programs financed from the fund, less the average undisbursed cash balance in the fund during the year. The rate of such interest shall be determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of loans made or insured from the fund, adjusted to the nearest one-eighth of 1 per centum. Interest payments may be deferred with the approval of the Secretary of the Treasury, but any interest payments so deferred shall themselves bear interest. If at any time the Secretary determines that moneys in the fund exceed present and any reasonably prospective future requirements of the fund, such excess may be transferred to the general fund of the Treasury.

(h) Guaranteed loans; interest rate for loans sold into secondary market; loan fees

(1) The Secretary may provide financial assistance to borrowers for purposes provided in this chapter by guaranteeing loans made by any Federal or State chartered bank, savings and loan association, cooperative lending agency, or other legally organized lending agency.

(2) The interest rate payable by a borrower on the portion of a guaranteed loan that is sold by a lender to the secondary market under this chapter may be lower than the interest rate charged on the portion retained by the lender, but shall not exceed the average interest rate charged by the lender on loans made to farm and ranch borrowers.

(3) With regard to any loan guarantee on a loan made by a commercial or cooperative lend-

er related to a loan made by the Secretary under section 1935 of this title—

(A) the Secretary shall not charge a fee to any person (including a lender); and

(B) a lender may charge a loan origination and servicing fee in an amount not to exceed 1 percent of the amount of the loan.

(4) **MAXIMUM GUARANTEE OF 90 PERCENT.**—Except as provided in paragraphs (5) and (6), a loan guarantee under this chapter shall be for not more than 90 percent of the principal and interest due on the loan.

(5) **REFINANCED LOANS GUARANTEED AT 95 PERCENT.**—The Secretary shall guarantee 95 percent of—

(A) in the case of a loan that solely refinances a direct loan made under this chapter, the principal and interest due on the loan on the date of the refinancing; or

(B) in the case of a loan that is used for multiple purposes, the portion of the loan that refinances the principal and interest due on a direct loan made under this chapter that is outstanding on the date the loan is guaranteed.

(6) **BEGINNING FARMER LOANS GUARANTEED UP TO 95 PERCENT.**—The Secretary may guarantee not more than 95 percent of—

(A) a farm ownership loan for acquiring a farm or ranch to a borrower who is participating in the down payment loan program under section 1935 of this title; or

(B) an operating loan to a borrower who is participating in the down payment loan program under section 1935 of this title that is made during the period that the borrower has a direct loan outstanding under this subchapter for acquiring a farm or ranch.

(i) Coordination of assistance for qualified beginning farmers and ranchers

(1) Not later than 60 days after any State expresses to the Secretary, in writing, a desire to coordinate the provision of financial assistance to qualified beginning farmers and ranchers in the State, the Secretary and the State shall conclude a joint memorandum of understanding that shall govern the coordination of the provision of the financial assistance by the State and the Secretary.

(2) The memorandum of understanding shall provide that if a State beginning farmer program makes a commitment to provide a qualified beginning farmer or rancher with financing to establish or maintain a viable farming or ranching operation, the Secretary shall, subject to applicable law, normal loan approval criteria, and the availability of funds provide the farmer or rancher with a down payment loan under section 1935 of this title or a guarantee of the financing provided by the State program, or both.

(3) The Secretary shall not charge any person (including a lender) any fee with respect to the provision of any guarantee under this subsection.

(4) The Secretary shall notify each State of the provisions of this subsection.

(5) As used in paragraph (1), the term “State beginning farmer program” means any program that is—

(A) carried out by, or under contract with, a State; and

(B) designed to assist persons in obtaining the financial assistance necessary to enter agriculture and establish viable farming or ranching operations.

(Pub. L. 87-128, title III, §309, Aug. 8, 1961, 75 Stat. 309; Pub. L. 87-703, title IV, §401(3), Sept. 27, 1962, 76 Stat. 632; Pub. L. 89-240, §2(b), (c), Oct. 7, 1965, 79 Stat. 932; Pub. L. 89-633, Oct. 8, 1966, 80 Stat. 879; Pub. L. 90-488, §7, Aug. 15, 1968, 82 Stat. 771; Pub. L. 92-419, title I, §115, Aug. 30, 1972, 86 Stat. 660; Pub. L. 95-113, title XV, §1510(a), Sept. 29, 1977, 91 Stat. 1022; Pub. L. 95-334, title I, §109(a), Aug. 4, 1978, 92 Stat. 423; Pub. L. 101-624, title XXIII, §2302(a)(2), Nov. 28, 1990, 104 Stat. 3980; Pub. L. 102-554, §4, 5(a), Oct. 28, 1992, 106 Stat. 4143; Pub. L. 104-127, title VI, §§606, 661(b), title VII, §§744, 749(b)(1), Apr. 4, 1996, 110 Stat. 1086, 1106, 1125, 1129.)

REFERENCES IN TEXT

Section 11(a) of the Bankhead-Jones Farm Tenant Act, as amended, referred to in subsec. (a), refers to section 11(a) of act July 22, 1937, ch. 517, title I, as added Aug. 14, 1946, ch. 964, §5, 60 Stat. 1072, which was classified to section 1005a of this title and was repealed by section 341(a) of Pub. L. 87-128.

For definition of “this chapter”, referred to in subsecs. (f)(5) and (h)(1), (2), (4), (5), see note set out under section 1921 of this title.

Section 1988(c) of this title (before the amendment made by section 749(a)(1) of the Federal Agriculture Improvement and Reform Act of 1996), referred to in subsec. (g)(1), means subsec. (c) of section 1988 of this title prior to repeal by section 749(a)(1) of Pub. L. 104-127.

CODIFICATION

In subsec. (c), “chapter 31 of title 31” and “such chapter” substituted for “the Second Liberty Bond Act, as amended” and “such Act, as amended,” respectively, on authority of Pub. L. 97-258, §4(b), Sept. 13, 1982, 96 Stat. 1067, the first section of which enacted Title 31, Money and Finance.

AMENDMENTS

1996—Subsec. (f). Pub. L. 104-127, §744, redesignated pars. (2) to (6) as (1) to (5), respectively, and struck out former par. (1) which read as follows: “to make loans which could be insured under this subchapter whenever the Secretary has reasonable assurance that they can be sold without undue delay, and may sell and insure such loans;”.

Subsec. (g)(1). Pub. L. 104-127, §749(b)(1), inserted “(before the amendment made by section 749(a)(1) of the Federal Agriculture Improvement and Reform Act of 1996)” after “section 1988(c) of this title”.

Pub. L. 104-127, §661(b), struck out “section 1928,” after “provisions of this section.”.

Subsec. (h)(4) to (6). Pub. L. 104-127, §606, added pars. (4) to (6).

1992—Subsec. (h). Pub. L. 102-554, §4, designated existing provisions as par. (1) and added pars. (2) and (3).

Subsec. (i). Pub. L. 102-554, §5(a), added subsec. (i).

1990—Subsec. (e). Pub. L. 101-624 inserted “and the Rural Development Administration, in proportion to such charges collected in connection with the insurance of loans by such agency” and substituted “expenses for such agency” for “expenses”.

1978—Subsec. (f)(1), (6). Pub. L. 95-334 in par. (1) struck out provisions limiting amount of loans outstanding at any one time, and added par. (6).

1977—Subsec. (f)(3). Pub. L. 95-113 substituted “any deferred or defaulted installment” for “any defaulted installment”.

1972—Subsec. (f)(1). Pub. L. 92-419, §115(a)(1), substituted “\$500,000,000” for “\$100,000,000”.

Subsec. (f)(2). Pub. L. 92-419, §115(a)(2), substituted “amounts” for “the interest” and “payments” for

“prepayments” in three places and inserted “or until the next agreed annual or semi-annual remittance date” after “until due”.

Subsec. (f)(5). Pub. L. 92-419, §115(a)(3), (4), substituted “connection with insured loans, including the difference between interest payable to borrowers and interest to which insured lenders or insured holders are entitled under agreements with the Secretary included in contracts of insurance” for “section 1985(a) of this title in connection with insured loans,” and provided payment for contract services.

Subsecs. (g), (h). Pub. L. 92-419, §115(b), added subsecs. (g) and (h).

1968—Subsec. (f)(1). Pub. L. 90-488 increased from \$50,000,000 to \$100,000,000 the aggregate amount of loans to be sold and insured and undisposed of at any one time.

1966—Subsec. (f)(2). Pub. L. 89-633 substituted “until due” for “until the due date of the annual installment”.

1965—Subsec. (e). Pub. L. 89-240, §2(b), substituted “all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan of any charge collected in connection with the insurance of loans; and any remainder of any such charge” for “such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge”.

Subsec. (f)(1). Pub. L. 89-240, §2(c), substituted “\$50,000,000” for “\$25,000,000”.

1962—Subsec. (f)(1). Pub. L. 87-703 increased from \$10,000,000 to \$25,000,000 the aggregate amount of loans to be sold and insured and undisposed of at any one time.

EFFECTIVE DATE OF 1996 AMENDMENT

Amendment by section 606 of Pub. L. 104-127 effective 90 days after Apr. 4, 1996, and amendment by section 661(b) of Pub. L. 104-127 effective Apr. 4, 1996, see section 663(a), (b) of Pub. L. 104-127, set out as a note under section 1922 of this title.

EFFECTIVE DATE OF 1977 AMENDMENT

Amendment by Pub. L. 95-113 effective Oct. 1, 1977, see section 1901 of Pub. L. 95-113, set out as a note under section 1307 of this title.

ADVISORY COMMITTEE ON BEGINNING FARMERS AND RANCHERS

Section 5(b) of Pub. L. 102-554 provided that:

“(1) ESTABLISHMENT; PURPOSE.—Not later than 18 months after the date of enactment of this Act [Oct. 28, 1992], the Secretary of Agriculture shall establish an advisory committee, to be known as the ‘Advisory Committee on Beginning Farmers and Ranchers’, which shall provide advice to the Secretary on—

“(A) the development of the program of coordinated assistance to qualified beginning farmers and ranchers under section 309(i) of the Consolidated Farm and Rural Development Act [7 U.S.C. 1929(i)] (as added by subsection (a) of this section);

“(B) methods of maximizing the number of new farming and ranching opportunities created through the program;

“(C) methods of encouraging States to participate in the program;

“(D) the administration of the program; and

“(E) other methods of creating new farming or ranching opportunities.

“(2) MEMBERSHIP.—The Secretary shall appoint the members of the Advisory Committee. The Advisory Committee shall include representatives from the following:

“(A) The Farmers Home Administration.

“(B) State beginning farmer programs (as defined in section 309(i)(5) of the Consolidated Farm and Rural Development Act (as added by subsection (a) of this section)).

- “(C) Commercial lenders.
- “(D) Private nonprofit organizations with active beginning farmer or rancher programs.
- “(E) The Cooperative Extension Service.
- “(F) Community colleges or other educational institutions with demonstrated experience in training beginning farmers or ranchers.
- “(G) Other entities or persons providing lending or technical assistance for qualified beginning farmers or ranchers.”

LIMITATION ON SALES FROM AGRICULTURAL CREDIT INSURANCE FUND

Pub. L. 99-509, title I, §1002, Oct. 21, 1986, 100 Stat. 1875, provided that: “During fiscal years 1987 through 1989, no note shall be sold out of the Agricultural Credit Insurance Fund, except in connection with transactions with the Secretary of the Treasury, without prior approval by Congress.”

LOANS TO INDIANS

Authority of the Secretary of Agriculture to make loans to Indian tribes and tribal corporations to acquire land within reservations, see sections 488 to 492 of Title 25, Indians.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1929a, 1983a, 1991, 1994, 1999, 6942 of this title; title 25 section 488; title 42 sections 1485, 1487, 8813.

§ 1929-1. Level of loan programs under Agricultural Credit Insurance Fund

On and after October 28, 1991, no funds in this Act or any other Act shall be available to carry out loan programs under the Agricultural Credit Insurance Fund at levels other than those provided for in advance in appropriations Acts.

(Pub. L. 102-142, title III, Oct. 28, 1991, 105 Stat. 899.)

CODIFICATION

Section was enacted as part of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1992, and not as part of the Consolidated Farm and Rural Development Act which comprises this chapter.

§ 1929a. Rural Development Insurance Fund

(a) Creation; revolving fund; rural development loans

There is hereby created the Rural Development Insurance Fund (hereinafter in this section referred to as the “Insurance Fund”) which shall be used by the Secretary as a revolving fund for the discharge of the obligations of the Secretary under contracts guaranteeing or insuring rural development loans. For the purpose of this section “rural development loans” shall be those provided for by sections 1926(a)(1) and 1932 of this title, except loans (other than for water systems and waste disposal facilities) of a type authorized by section 1926(a)(1) of this title prior to its amendment by the Rural Development Act of 1972.

(b) Transfer of assets and liabilities

The assets and liabilities of the Agricultural Credit Insurance Fund referred to in section 1929(a) of this title applicable to loans for water systems and waste disposal facilities under section 1926(a)(1) of this title are hereby transferred to the Insurance Fund. Such assets (including

the proceeds thereof) and liabilities and rural development loans guaranteed or insured pursuant to this chapter shall be subject to the provisions of this section.

(c) Credits in the Treasury; investments; notes, purchasing authority of the Secretary

Moneys in the Insurance Fund not needed for current operations shall be deposited in the Treasury of the United States to the credit of the Insurance Fund or invested in direct obligations of the United States or obligations guaranteed by the United States. The Secretary may purchase with money in the Insurance Fund any notes issued by the Secretary to the Secretary of the Treasury for the purpose of obtaining money for the Insurance Fund.

(d) Notes, issuing authority of the Secretary; use of funds; terms and conditions, form, denominations, maturities, and interest rate of notes; notes, purchasing authority of the Secretary of the Treasury; public debt transactions

The Secretary is authorized to make and issue notes to the Secretary of the Treasury for the purpose of obtaining funds necessary for discharging obligations under this section and for making loans, advances, and authorized expenditures out of the Insurance Fund. Such notes shall be in such form and denominations and have such maturities and be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yield of outstanding marketable obligations of the United States having maturities comparable to the average maturities of rural development loans made, guaranteed, or insured under this chapter. The Secretary of the Treasury is authorized and directed to purchase any notes of the Secretary issued hereunder, and, for that purpose, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, and the purposes for which such securities may be issued under such chapter are extended to include the purchase of notes issued by the Secretary hereunder. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes shall be treated as public debt transactions of the United States.

(e) Notes and security as part of Insurance Fund; collection and sale of notes and other obligations; deposit of net proceeds in Insurance Fund

Notes and security acquired by the Secretary in connection with rural development loans made, guaranteed, or insured under this chapter or transferred by subsection (b) of this section shall become a part of the Insurance Fund. Notes and other obligations may be held in the Insurance Fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof at the balance due thereon, or on such other basis as the Secretary may determine from time to time, including sale on a non-

recourse basis. The Secretary and any subsequent purchaser of such notes and other obligations sold by the Secretary on a nonrecourse basis shall be relieved of any responsibilities that might have been imposed had the borrower remained indebted to the Secretary. All net proceeds from such collections, including sales of notes or property, shall be deposited in and become a part of the Insurance Fund.

(f) Deposit of loan service charges in Insurance Fund

The Secretary shall deposit in the Insurance Fund any charges collected for loan services provided by the Secretary as well as charges assessed for losses and costs of administration in connection with making, guaranteeing, or insuring rural development loans under this chapter.

(g) Use of Insurance Fund

The Secretary may utilize the Insurance Fund—

(1) to pay amounts to which the holder of insured notes is entitled on loans heretofore or hereafter insured accruing between the date of any payments by the borrower and the date of transmittal of any such payments to the holder. In the discretion of the Secretary, payments other than final payments need not be remitted to the holder until due or until the next agreed annual or semiannual remittance date;

(2) to pay to the holder of insured notes any deferred or defaulted installment, or upon assignment of the note to the Secretary at the Secretary's request, the entire balance due on the loan;

(3) to purchase notes in accordance with contracts of insurance heretofore or hereafter entered into by the Secretary;

(4) to make payments in compliance with the Secretary's obligations under contracts of guarantee entered into by him;

(5) to pay taxes, insurance, prior liens, expenses necessary to make fiscal adjustments in connection with the application and transmittal of collections or necessary to obtain credit reports on applicants or borrowers, expenses for necessary services, including construction inspections, commercial appraisals, loan servicing, consulting business advisory or other commercial and technical services, and other program services, and other expenses and advances authorized in section 1985(a) of this title in connection with insured loans. Such items may be paid in connection with guaranteed loans after or in connection with acquisition by the Secretary of such loans or security therefor after default, to an extent determined by the Secretary to be necessary to protect the interest of the Government, or in connection with grants and any other activity authorized in this chapter;

(6) to pay the difference between interest payments by borrowers and interest to which holders of insured notes are entitled under contracts of insurance heretofore or hereafter entered into by the Secretary; and

(7) to pay the Secretary's costs of administration necessary to insure loans under the programs referred to in subsection (a) of this section, make grants under sections 1926(a)

and 1932 of this title, service, and otherwise carry out such programs, including costs of the Secretary incidental to guaranteeing rural development loans under this chapter, either directly from the Insurance Fund or by transfers from the Fund to, and merger with, any appropriations for administrative expenses.

(h) Gross income; interest or other income on insured loans

When any loan is sold out of the Insurance Fund as an insured loan, the interest or other income thereon paid to an insured holder shall be included in gross income for purposes of chapter 1 of title 26.

(Pub. L. 87-128, title III, §309A, as added Pub. L. 92-419, title I, §116, Aug. 30, 1972, 86 Stat. 661; amended Pub. L. 95-113, title XV, §1510(b), Sept. 29, 1977, 91 Stat. 1022; Pub. L. 95-334, title I, §107(b), 110, Aug. 4, 1978, 92 Stat. 422, 424; Pub. L. 99-509, title I, §1001(b), Oct. 21, 1986, 100 Stat. 1874; Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095; Pub. L. 99-500, title III, §381(b), Oct. 18, 1986, 100 Stat. 1783-369, and Pub. L. 99-591, title III, §381(b), Oct. 30, 1986, 100 Stat. 3341-372; Pub. L. 104-127, title VI, §661(c), title VII, §741(b), 745, Apr. 4, 1996, 110 Stat. 1106, 1124, 1125.)

REFERENCES IN TEXT

For statutory changes to section 1926(a)(1) of this title by the Rural Development Act of 1972, referred to in subsec. (a), see 1972 Amendment note for section 104 of Pub. L. 92-419, set out under section 1926 of this title. For complete classification of the Rural Development Act of 1972 to the Code, see Short Title of 1972 Amendment note set out under section 1921 of this title and Tables.

For definition of "this chapter", referred to in subsecs. (b), (d), (e), (f), and (g)(5), (7), see note set out under section 1921 of this title.

CODIFICATION

Pub. L. 99-591 is a corrected version of Pub. L. 99-500. In subsec. (d), "chapter 31 of title 31" and "such chapter" substituted for "the Second Liberty Bond Act, as amended" and "such Act, as amended," respectively, on authority of Pub. L. 97-258, §4(b), Sept. 13, 1982, 96 Stat. 1067, the first section of which enacted Title 31, Money and Finance.

AMENDMENTS

1996—Subsec. (a). Pub. L. 104-127, §741(b), struck out "1926(a)(14)," after "1926(a)(1)".

Pub. L. 104-127, §661(c)(1), substituted "1926(a)(1), 1926(a)(14), and 1932 of this title" for "1924(b), 1926(a)(1), 1926(a)(14), 1932, and 1942(b) of this title".

Subsec. (b). Pub. L. 104-127, §661(c)(2), which directed amendment of first sentence of subsec. (b) by striking "and section 1928 of this title", was executed by striking that language in second sentence after "provisions of this section" to reflect the probable intent of Congress.

Subsec. (g). Pub. L. 104-127, §745, redesignated pars. (2) to (8) as (1) to (7), respectively, and struck out former par. (1) which read as follows: "to make rural development loans which could be insured under this chapter whenever he has a reasonable assurance that they can be sold without undue delay, and he may sell and insure such loans;".

1986—Subsec. (e). Pub. L. 99-500, Pub. L. 99-509, and Pub. L. 99-591 amended second sentence of subsec. (e) identically, substituting "Notes and other obligations" for "Notes" and substituting "including sale on a nonrecourse basis. The Secretary and any subsequent purchaser of such notes or other obligations sold by the Secretary on a nonrecourse basis shall be relieved of

any responsibilities that might have been imposed had the borrower remained indebted to the Secretary.” for period at end.

Subsec. (h). Pub. L. 99-514 substituted “Internal Revenue Code of 1986” for “Internal Revenue Code of 1954”, which for purposes of codification was translated as “title 26” thus requiring no change in text.

1978—Subsec. (a). Pub. L. 95-334, §107(b), inserted reference to section 1926(a)(14) of this title.

Subsec. (g)(8). Pub. L. 95-334, §110, substituted provisions relating to payment of costs of administration necessary to insure loans under subsec. (a) of this section, make grants under sections 1926(a) and 1932 of this title, and otherwise carry out such programs for provisions relating to payment of costs of administration of the rural loan development program.

1977—Subsec. (g)(3). Pub. L. 95-113 substituted “any deferred or defaulted installment” for “any defaulted installment”.

EFFECTIVE DATE OF 1977 AMENDMENT

Amendment by Pub. L. 95-113 effective Oct. 1, 1977, see section 1901 of Pub. L. 95-113, set out as a note under section 1307 of this title.

DISASTER ASSISTANCE FOR RURAL BUSINESS ENTERPRISES

Pub. L. 101-82, title IV, §401, Aug. 14, 1989, 103 Stat. 583, as amended by Pub. L. 101-220, §9(d), Dec. 12, 1989, 103 Stat. 1882, provided that:

“(a) LOAN GUARANTEES.—The Secretary of Agriculture shall guarantee loans made in rural areas to—

“(1) public, private, or cooperative organizations, to Indian tribes on Federal and State reservations or other federally recognized Indian tribal groups, or to any other business entities to assist such organizations, tribes, or entities in alleviating the distress caused to such organizations, tribes, or entities, directly or indirectly, by the drought, freeze, storm, excessive moisture, earthquake, or related condition in 1988 or 1989; and

“(2) such organizations, tribes, or entities that refinanced or restructure debt as a result of losses incurred, directly or indirectly, because of such natural disasters in 1988 or 1989.

“(b) ELIGIBLE LOANS.—

“(1) IN GENERAL.—Loans guaranteed under this section shall be loans made by any Federal or State chartered bank, savings and loan association, cooperative lending agency, insurance company, or other legally organized lending agency.

“(2) PRODUCTION AGRICULTURE.—No application for a loan guarantee under this section shall be denied on the basis that such organization, tribe, or entity engages in whole or in part in production agriculture.

“(c) LOAN GUARANTEE LIMITS.—

“(1) PERCENTAGE OF PRINCIPAL AND INTEREST.—No guarantee under this section shall exceed 90 percent of the principal and interest amount of the loan or \$2,500,000, whichever is the lesser amount.

“(2) TOTAL AMOUNT.—The total amount of loan guarantee under this section shall not exceed \$300,000,000.

“(d) USE OF THE RURAL DEVELOPMENT INSURANCE FUND.—The Secretary shall use the Rural Development Insurance Fund established under section 309A of the Consolidated Farm and Rural Development Act (7 U.S.C. 1929a) for the purposes of discharging the obligations of the Secretary under this section.”

Similar provisions were contained in the following prior act:

Pub. L. 100-387, title III, §331, Aug. 11, 1988, 102 Stat. 951.

SALE OF RURAL DEVELOPMENT NOTES AND OTHER OBLIGATIONS

Section 1001 of Pub. L. 99-509, as amended by Pub. L. 100-233, title VIII, §803, Jan. 6, 1988, 101 Stat. 1714; Pub. L. 101-220, §12, Dec. 12, 1989, 103 Stat. 1883, provided that:

“(a) SALES REQUIRED.—The Secretary of Agriculture, under such terms as the Secretary may prescribe, shall sell notes and other obligations held in the Rural Development Insurance Fund established under section 309A of the Consolidated Farm and Rural Development Act [7 U.S.C. 1929a] in such amounts as to realize net proceeds to the Government of not less than—

“(1) \$1,000,000,000 from such sales during fiscal year 1987.

“(2) \$552,000,000 from such sales during fiscal year 1988, and

“(3) \$547,000,000 from such sales during fiscal year 1989.

“(b) [Amended subsec. (e) of this section]

“(c) CONTRACT PROVISIONS.—Consistent with section 309A(e) of the Consolidated Farm and Rural Development Act [7 U.S.C. 1929a(e)], as amended by subsection (b), any sale of notes or other obligations, as described in subsection (a), shall not alter the terms specified in the note or other obligation, except that, on sale, a note or other obligation shall not be subject to the provisions of section 333(c) of the Consolidated Farm and Rural Development Act [7 U.S.C. 1983(c)].

“(d) ELIGIBILITY TO PURCHASE NOTES.—Notwithstanding any other provision of law, each institution of the Farm Credit System shall be eligible to purchase notes and other obligations held in the Rural Development Insurance Fund and to service (including the extension of additional credit and all other actions necessary to preserve, conserve, or protect the institution's interest in the purchased notes or other obligations), collect, and dispose of such notes and other obligations, subject only to such terms and conditions as may be agreed to by the Secretary of Agriculture and the purchasing institution and as may be approved by the Farm Credit Administration.

“(e) LOAN SERVICING.—Prior to selling any note or other obligation, as described in subsection (a), the Secretary of Agriculture shall require persons offering to purchase the note or other obligation to demonstrate—

“(1) an ability or resources to provide such servicing, with respect to the loans represented by the note or other obligation, that the Secretary deems necessary to ensure the continued performance on the loan; and

“(2) the ability to generate capital to provide the borrowers of the loans such additional credit as may be necessary in proper servicing of the loans.

“(f) RIGHT OF FIRST REFUSAL.—

“(1) IN GENERAL.—Before conducting a sale of a portfolio of notes or other obligations under this section, the Secretary of Agriculture shall—

“(A) determine whether the issuer of any unsold note or other obligation desires to purchase the note or other obligation; and

“(B) if so, hold open for 30 days, an offer to sell the note or other obligation to the issuer at a price to be determined under paragraph (2).

“(2) DETERMINATION OF OFFERING PRICE.—

“(A) AUTHORITY.—The Secretary of Agriculture shall determine, in accordance with subparagraph (B), the price at which a note or other obligation shall be offered for sale under this subsection.

“(B) PRICE.—Such price shall be determined by discounting the payment stream of such note or other obligation at the yield on the then most recent sale of the portfolio, adjusted for changes in market interest rates, servicing and sales expenses, and the maturity and interest rate of such note.

“(3) PROHIBITIONS.—

“(A) PURCHASE OF OBLIGATION NOT TIED TO PURCHASE OF OTHER OBLIGATIONS.—The Secretary of Agriculture shall not require the issuer of any unsold note or other obligation to be offered for sale under this subsection to purchase any other such note or other obligation as a condition of the sale of any such note or other obligation to the issuer.

“(B) OFFER TO BE MADE WITHOUT REGARD TO FINANCING.—The Secretary shall offer notes or other

obligations for sale to the issuers thereof under this subsection without regard to the manner in which such issuers intend to finance the purchase of such notes or other obligations. However, the price of sale to any issuer using tax exempt financing shall be determined using a yield reflective of the Schedule of Certified Interest Rates as published monthly by the Secretary of the Treasury.

“(g) APPLICABILITY OF PROHIBITION ON CURTAILMENT OR LIMITATION OF SERVICE.—Section 306(b) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(b)) shall be applicable to all notes or other obligations sold or intended to be sold under this section.

“(h)(1) Notwithstanding the provisions of section 633 of the Rural Development, Agriculture, and Related Agencies Appropriations Act, 1989 (Public Law 100-460) [title VI, Oct. 1, 1988, 102 Stat. 2263], the Secretary of Agriculture shall offer to the issuer of any unsold note or other obligation described in paragraph (2)(A) for which such issuer made the good faith deposit described in paragraph (2)(A) the opportunity to purchase such note or other obligation consistent with the provisions of this subsection and subsections (f)(2) and (f)(3).

“(2) The provisions of this subsection shall apply only to those issuers who:

“(A) on or before March 9, 1989, made a good faith deposit under this section for fiscal year 1989 with the Secretary to purchase a note or other obligation held in the Rural Development Insurance Fund; and

“(B) otherwise meet all eligibility criteria, as such criteria existed immediately prior to May 9, 1989, at the time the purchase occurs under this subsection.

“(3) The opportunity to purchase any such note or other obligation shall be held open, under the policies and procedures in effect under subsections (f)(2) and (f)(3) immediately prior to May 9, 1989, for 150 days after the date of enactment of this subsection [Dec. 12, 1989]. The Secretary shall not require any further good faith deposit from issuers who qualify under this subsection. The Secretary shall notify eligible issuers of the opportunity afforded under this subsection within 30 days after the date of enactment of this subsection and may require such issuers to express an intention to purchase their note or other obligation by a date certain.”

Section 381 of Pub. L. 99-500 and Pub. L. 99-591 provided that:

“(a) IN GENERAL.—The Secretary of Agriculture shall, under such terms as the Secretary may prescribe, sell notes and other obligations held in the Rural Development Insurance Fund established under section 309A of the Consolidated Farm and Rural Development Act (7 U.S.C. 1929a) in such amounts as to realize net proceeds of not less than—

“(1) \$25,000,000 from such sales during fiscal year 1987;

“(2) \$36,000,000 from such sales during fiscal year 1988; and

“(3) \$37,000,000 from such sales during fiscal year 1989.

“(b) [Amended subsec. (e) of this section]

“(c) FARM CREDIT SYSTEM INSTITUTIONS.—Notwithstanding any other provision of law, institutions of the Farm Credit System operating under the Farm Credit Act of 1971 (12 U.S.C. 2001) shall be eligible to purchase notes and other obligations held in the Rural Development Insurance Fund and to service (including the extension of additional credit and all other actions necessary to preserve, conserve, or protect the institutions' interests in such notes and other obligations), collect, and dispose of such notes and other obligations, subject only to such terms and conditions as may be agreed to by the Secretary of Agriculture and such purchasing institutions and as are approved by the Farm Credit Administration.”

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1929, 1929b, 6942 of this title; title 42 section 8813.

§ 1929b. Purchase of guaranteed portions of loans; terms and conditions; exercise of authorities

The Secretary may purchase, on such terms and conditions as the Secretary deems appropriate, the guaranteed portion of any loan guaranteed under this chapter: *Provided*, That the Secretary may not pay for any such guaranteed portion of a loan in excess of an amount equal to the unpaid principal balance and accrued interest on the guaranteed portion of the loan. The Secretary may use for such purchases funds from the Rural Development Insurance Fund with respect to rural development loans as defined in section 1929a(a) of this title and funds from the Agricultural Credit Insurance Fund with respect to all other loans under this chapter. This authority may be exercised only if the Secretary determines that an adequate secondary market is not available in the private sector.

(Pub. L. 87-128, title III, §309B, as added Pub. L. 95-334, title I, §111, Aug. 4, 1978, 92 Stat. 424.)

REFERENCES IN TEXT

For definition of “this chapter”, referred to in text, see note set out under section 1921 of this title.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 2001 of this title.

§ 1930. Continued availability of appropriated funds for direct real estate loans to farmers and ranchers

Funds appropriated for the purpose of making direct real estate loans to farmers and ranchers under this subchapter shall remain available until expended.

(Pub. L. 87-128, title III, §310, as added Pub. L. 91-524, title VIII, §806(b), Nov. 30, 1970, 84 Stat. 1383.)

§ 1931. Repealed. Pub. L. 104-127, title VII, § 746, Apr. 4, 1996, 110 Stat. 1125

Section, Pub. L. 87-128, title III, §310A, as added Pub. L. 92-419, title I, §117, Aug. 30, 1972, 86 Stat. 663, related to insured watershed and resource conservation and development loans.

§ 1932. Rural industrialization assistance

(a) Loans for private business enterprises; pollution abatement and control; aquaculture; solar energy; loan guarantees

The Secretary may also make and insure loans to public, private, or cooperative organizations organized for profit or nonprofit, to Indian tribes on Federal and State reservations or other federally recognized Indian tribal groups, or to individuals for the purposes of (1) improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural communities, including pollution abatement and control, (2) the conservation, development, and use of water for aquaculture purposes in rural areas, (3) reducing the reliance on nonrenewable energy resources by encouraging the development and construction of solar energy systems, including the modification of existing systems, in

rural areas, and (4) to facilitate economic opportunity for industries undergoing adjustment from terminated Federal agricultural price and income support programs or increased competition from foreign trade. For the purposes of this subsection, the term “solar energy” means energy derived from sources (other than fossil fuels) and technologies included in the Federal Nonnuclear Energy Research and Development Act of 1974, as amended [42 U.S.C. 5901 et seq.]. Such loans, when originated, held, and serviced by other lenders, may be guaranteed by the Secretary under this section without regard to paragraphs (1) and (4) of section 1983 of this title. As used in this subsection, the term “aquaculture” means the culture or husbandry of aquatic animals or plants by private industry for commercial purposes including the culture and growing of fish by private industry for the purpose of creating or augmenting publicly owned and regulated stocks of fish. No loan may be made, insured, or guaranteed under this subsection that exceeds \$25,000,000 in principal amount.

(b) Solid waste management grants

The Secretary may make grants to nonprofit organizations for the provision of regional technical assistance to local and regional governments and related agencies for the purpose of reducing or eliminating pollution of water resources and improving the planning and management of solid waste disposal facilities. Grants made under this paragraph for the provision of technical assistance shall be made for 100 percent of the cost of such assistance.

(c) Rural business enterprise grants

(1) In general

The Secretary may also make grants, not to exceed \$50,000,000 annually, to public bodies and private nonprofit corporations for measures designed to finance and facilitate development of small and emerging private business enterprises (including nonprofit entities) or the creation, expansion, and operation of rural distance learning networks or rural learning programs that provide educational instruction or job training instruction related to potential employment or job advancement to adult students, including the development, construction or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, re-financing, services and fees.

(2) Passenger transportation services or facilities

The Secretary may award grants on a competitive basis to qualified nonprofit organizations for the provision of technical assistance and training to rural communities for the purpose of improving passenger transportation services or facilities. Assistance provided under this paragraph may include on-site technical assistance to local and regional governments, public transit agencies, and related nonprofit and for-profit organizations in rural areas, the development of training materials, and the provision of necessary training assistance to local officials and agencies in rural areas.

(3) Grants to aid industries in adjusting to terminated Federal agricultural programs or increased foreign competition

The Secretary may make grants under this section to facilitate economic opportunity for industries undergoing adjustment from terminated Federal agricultural price and income support programs or increased competition from foreign trade.

(d) Joint loans or grants for private business enterprises; restrictions; system of certification for expeditious processing of requests for assistance; prior approval of grant or loan; equity investment as condition for loan commitment; issuance of certificates of beneficial ownership of notes

(1) The Secretary may participate in joint financing to facilitate development of private business enterprises in rural areas with the Economic Development Administration, the Small Business Administration, and the Department of Housing and Urban Development and other Federal and State agencies and with private and quasi-public financial institutions, through joint loans to applicants eligible under subsection (a) of this section for the purpose of improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural areas or through joint grants to applicants eligible under subsection (c) of this section for such purposes, including in the case of loans or grants the development, construction, or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, refining, service and fees.

(2) No financial or other assistance shall be extended under any provision of this section, except for cases in which such assistance does not exceed \$1,000,000 or for cases in which direct employment will not be increased by more than fifty employees, that is calculated to or is likely to result in the transfer from one area to another of any employment or business activity provided by operations of the applicant, but this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations unless there is reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(3) No financial or other assistance shall be extended under any provision of this section, except for cases in which such assistance does not exceed \$1,000,000 or for cases in which direct employment will not be increased by more than fifty employees, which is calculated to or likely to result in an increase in the production of goods, materials, or commodities, or the availability of services or facilities in the area, when there is not sufficient demand for such goods,

materials, commodities, services or facilities, to employ the efficient capacity of existing competitive commercial or industrial enterprises, unless such financial or other assistance will not have an adverse effect upon existing competitive enterprises in the area.

(4) No financial or other assistance shall be extended under any provision of this section, except for cases in which such assistance does not exceed \$1,000,000 or for cases in which direct employment will not be increased by more than fifty employees, if the Secretary of Labor certifies within 30 days after the matter has been submitted to him by the Secretary of Agriculture that the provisions of paragraphs (2) and (3) of this subsection have not been complied with. The Secretary of Labor shall, in cooperation with the Secretary of Agriculture, develop a system of certification which will insure the expeditious processing of requests for assistance under this section.

(5) No grant or loan authorized to be made under this chapter shall require or be subject to the prior approval of any officer, employee, or agency of any State.

(6) No loan commitment issued under this section shall be conditioned upon the applicant investing in excess of 10 per centum in the business or industrial enterprise for which purpose the loan is to be made unless the Secretary determines there are special circumstances which necessitate an equity investment by the applicant greater than 10 per centum.

(7) No provision of law shall prohibit issuance by the Secretary of certificates evidencing beneficial ownership in a block of notes insured or guaranteed under this chapter or Title V of the Housing Act of 1949 [42 U.S.C. 1471 et seq.]; any sale by the Secretary of such certificates shall be treated as a sale of assets for the purposes of chapter 11 of title 31. Any security representing beneficial ownership in a block of notes guaranteed or insured under this chapter or Title V of the Housing Act of 1949 issued by a private entity shall be exempt from laws administered by the Securities and Exchange Commission, except sections 77q, 77v, and 77x of title 15; however, the Secretary shall require (i) that the issuer place such notes in the custody of an institution chartered by a Federal or State agency to act as trustee and (ii) that the issuer provide such periodic reports of sales as the Secretary deems necessary.

(e) Rural cooperative development grants

(1) Definitions

In this subsection:

(A) Nonprofit institution

The term "nonprofit institution" means any organization or institution, including an accredited institution of higher education, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

(B) United States

The term "United States" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the other territories and possessions of the United States.

(2) Grants

The Secretary shall make grants, effective October 1, 1996, under this subsection to nonprofit institutions for the purpose of enabling the institutions to establish and operate centers for rural cooperative development.

(3) Goals

The goals of a center funded under this subsection shall be to facilitate the creation of jobs in rural areas through the development of new rural cooperatives, value added processing, and rural businesses.

(4) Application

Any nonprofit institution seeking a grant under paragraph (2) shall submit to the Secretary an application containing a plan for the establishment and operation by the institution of a center or centers for cooperative development. The Secretary may approve the application if the plan contains the following:

(A) A provision that substantiates that the center will effectively serve rural areas in the United States.

(B) A provision that the primary objective of the center will be to improve the economic condition of rural areas through cooperative development.

(C) A description of the activities that the center will carry out to accomplish the objective. The activities may include the following:

(i) Programs for applied research and feasibility studies that may be useful to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(ii) Programs for the collection, interpretation, and dissemination of information that may be useful to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(iii) Programs providing training and instruction for individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(iv) Programs providing loans and grants to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(v) Programs providing technical assistance, research services, and advisory services to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(vi) Programs providing for the coordination of services and sharing of information among the center.¹

(D) A description of the contributions that the activities are likely to make to the improvement of the economic conditions of the rural areas for which the center will provide services.

(E) Provisions that the center, in carrying out the activities, will seek, where appropriate, the advice, participation, expertise, and assistance of representatives of busi-

¹ So in original. Probably should be "centers."

ness, industry, educational institutions, the Federal Government, and State and local governments.

(F) Provisions that the center will take all practicable steps to develop continuing sources of financial support for the center, particularly from sources in the private sector.

(G) Provisions for—

(i) monitoring and evaluating the activities by the nonprofit institution operating the center; and

(ii) accounting for money received by the institution under this section.

(5) Awarding grants

Grants made under paragraph (2) shall be made on a competitive basis. In making grants under paragraph (2), the Secretary shall give preference to grant applications providing for the establishment of centers for rural cooperative development that—

(A) demonstrate a proven track record in administering a nationally coordinated, regionally or State-wide operated project;

(B) demonstrate previous expertise in providing technical assistance in rural areas;

(C) demonstrate the ability to assist in the retention of businesses, facilitate the establishment of cooperatives and new cooperative approaches, and generate employment opportunities that will improve the economic conditions of rural areas;

(D) demonstrate the ability to create horizontal linkages among businesses within and among various sectors in rural areas of the United States and vertical linkages to domestic and international markets;

(E) commit to providing technical assistance and other services to underserved and economically distressed areas in rural areas of the United States; and

(F) commit to providing greater than a 25 percent matching contribution with private funds and in-kind contributions.

(6) 1-year grants; authority to approve grant for 1 additional year without application

The Secretary shall make grants under this subsection for a period of 1 year. The Secretary shall evaluate programs receiving assistance under this subsection. If the Secretary determines it to be in the best interest of the program, the Secretary may award an additional grant to the program for the immediately succeeding year without application for the grant.

(7) Technical assistance to prevent excessive unemployment or underemployment

In carrying out this subsection, the Secretary may provide technical assistance to alleviate or prevent conditions of excessive unemployment, underemployment, outmigration, or low employment growth in economically distressed rural areas that the Secretary determines have a substantial need for the assistance. The assistance may include planning and feasibility studies, management and operational assistance, and studies evaluating the need for development potential of projects that increase employment and improve economic growth in the areas.

(8) Grants to defray administrative costs

The Secretary may make grants to defray not to exceed 75 percent of the costs incurred by organizations and public bodies to carry out projects for which grants or loans are made under this subsection. For purposes of determining the non-Federal share of the costs, the Secretary shall consider contributions in cash and in kind, fairly evaluated, including premises, equipment, and services.

(9) Authorization of appropriations

There are authorized to be appropriated to carry out this subsection \$50,000,000 for each of fiscal years 1996 through 2002.

(f) Grants to broadcasting systems

(1) "Statewide" defined

In this subsection, the term "statewide" means having a coverage area of not less than 90 percent of the population of a State and not less than 80 percent of the rural land area of the State (as determined by the Secretary).

(2) Grants

The Secretary may make grants to statewide private nonprofit public television systems, whose coverage area is predominately rural, for the purpose of demonstrating the effectiveness of such systems in providing information on agriculture and other issues of importance to farmers and other rural residents. Grants available under this paragraph may be used for capital equipment expenditures, start-up and program costs, and other costs necessary to the operation of such demonstrations.

(g) Loan guarantees for purchase of cooperative stock

(1) "Farmer" defined

In this subsection, the term "farmer" means any farmer that the Secretary determines is a family farmer.

(2) Loan guarantees

The Secretary may guarantee loans under this section to individual farmers for the purpose of purchasing start-up capital stock of a farmer cooperative established for the purpose of processing an agricultural commodity.

(3) Eligibility

To be eligible for a loan guarantee under this subsection, a farmer must produce the agricultural commodity that will be processed by the cooperative.

(Pub. L. 87-128, title III, §310B, as added Pub. L. 92-419, title I, §118(a), Aug. 30, 1972, 86 Stat. 663; amended Pub. L. 91-524, title VIII, §817, as added Pub. L. 93-86, §1(27)(B), Aug. 10, 1973, 87 Stat. 241; Pub. L. 95-113, title XV, §1503(b), Sept. 29, 1977, 91 Stat. 1021; Pub. L. 95-334, title I, §112, Aug. 4, 1978, 92 Stat. 424; Pub. L. 96-358, §5, Sept. 25, 1980, 94 Stat. 1187; Pub. L. 96-438, §1(2), Oct. 13, 1980, 94 Stat. 1871; Pub. L. 99-409, §2, Aug. 28, 1986, 100 Stat. 923; Pub. L. 100-203, title I, §1504, Dec. 22, 1987, 101 Stat. 1330-28; Pub. L. 101-624, title XXIII, §§2325, 2337, 2347, formerly 2347(a), 2386, 2388(b), (c), Nov. 28, 1990, 104 Stat. 4013, 4022, 4034, 4051, 4052; Pub. L. 102-237, title VII, §701(c), (h)(1)(C), (D), Dec. 13, 1991, 105 Stat. 1879, 1880;

Pub. L. 102-552, title V, §516(d), Oct. 28, 1992, 106 Stat. 4137; Pub. L. 102-554, §6, Oct. 28, 1992, 106 Stat. 4144; Pub. L. 104-127, title VI, §§635(b), 661(d), title VII, §§705(1), 747(a), 759B, Apr. 4, 1996, 110 Stat. 1093, 1107, 1112, 1125, 1138; Pub. L. 104-180, title VII, §731, Aug. 6, 1996, 110 Stat. 1600.)

REFERENCES IN TEXT

The Federal Nonnuclear Energy Research and Development Act of 1974, as amended, referred to in subsec. (a), is Pub. L. 93-577, Dec. 31, 1974, 88 Stat. 1878, as amended, which is classified generally to chapter 74 (§5901 et seq.) of Title 42, The Public Health and Welfare. For complete classification of this Act to the Code, see Short Title note set out under section 5901 of Title 42 and Tables.

For definition of “this chapter”, referred to in subsec. (d)(5), (7), see note set out under section 1921 of this title.

Title V of the Housing Act of 1949, referred to in subsec. (d)(7), is title V of act July 15, 1949, ch. 338, 63 Stat. 432, as amended, which is classified generally to subchapter III (§1471 et seq.) of chapter 8A of Title 42, The Public Health and Welfare. For complete classification of this Act to the code, see References in Text note set out under section 1441 of Title 42 and Tables.

CODIFICATION

In subsec. (d)(7), “chapter 11 of title 31” substituted for “the Budget and Accounting Act of 1921 [31 U.S.C. 1 et seq.]” on authority of Pub. L. 97-258, §4(b), Sept. 13, 1982, 96 Stat. 1067, the first section of which enacted Title 31, Money and Finance.

AMENDMENTS

1996—Subsec. (a). Pub. L. 104-127, §747(a)(1), in first sentence, struck out “and” before “(3)” and inserted before period at end “, and (4) to facilitate economic opportunity for industries undergoing adjustment from terminated Federal agricultural price and income support programs or increased competition from foreign trade”.

Pub. L. 104-127, §635(b), in third sentence, substituted “(4) of” for “(3) of”.

Subsec. (b). Pub. L. 104-127, §747(a)(2), inserted heading, redesignated par. (2) as subsec. (b), struck out “(2)” before “The Secretary”, and struck out par. (1) which read as follows: “Secretary may make grants, not to exceed \$50,000,000 annually, to eligible applicants under this section for pollution abatement and control projects in rural areas. No such grant shall exceed 50 per centum of the development cost of such a project.”

Subsec. (c). Pub. L. 104-127, §747(a)(3), inserted heading, in par. (1), inserted par. heading and inserted “(including nonprofit entities)” after “private business enterprises”, in par. (2), inserted par. heading and substituted “award grants on a competitive basis” for “make grants”, and added par. (3).

Subsec. (d)(2) to (4). Pub. L. 104-127, §661(d)(1), substituted “provision of this section” for “provision of this section and sections 1924(b) and 1942(b) of this title”.

Subsec. (d)(6). Pub. L. 104-127, §661(d)(2), substituted “this section” for “this section, section 1924 of this title, or section 1942 of this title”.

Subsec. (e). Pub. L. 104-127, §747(a)(4), added subsec. (e) and struck out former subsec. (e) which authorized the insuring or guaranteeing of loans for the purpose of constructing or improving subterminal facilities.

Subsec. (e)(2). Pub. L. 104-180 amended Pub. L. 104-127, §747(a)(4), which enacted subsec. (e), to insert “effective October 1, 1996,” after “The Secretary shall make grants” in par. (2).

Subsec. (f). Pub. L. 104-127, §759B, added par. (1), redesignated existing provisions as par. (2), and added par. heading.

Pub. L. 104-127, §747(a)(5), (6), redesignated subsec. (j) as (f) and struck out former subsec. (f) which author-

ized grants to nonprofit institutions for the purpose of establishing and operating centers for rural technology or cooperative development. See subsec. (e) of this section.

Pub. L. 104-127, §705(1), made technical amendment to directory language of Pub. L. 101-624, §2347(a). See 1990 Amendment note below.

Subsec. (g). Pub. L. 104-127, §747(a)(5), (7), added subsec. (g) and struck out former subsec. (g) which read as follows: “In carrying out subsection (f) of this section, the Secretary may provide technical assistance to alleviate or prevent conditions of excessive unemployment or underemployment of persons residing in economically distressed rural areas that the Secretary determines have a substantial need for such assistance. Such assistance shall include planning and feasibility studies, management and operational assistance, and studies evaluating the needs for development potential of projects that increase employment and improve economic growth in such areas.”

Pub. L. 104-127, §705(1), made technical amendment to directory language of Pub. L. 101-624, §2347(a). See 1990 Amendment note below.

Subsec. (h). Pub. L. 104-127, §747(a)(5), struck out subsec. (h) which read as follows: “The Secretary may make grants to defray not to exceed 75 percent of the administrative costs incurred by organizations and public bodies to carry out projects for which grants or loans are made under subsection (f) of this section. For purposes of determining the non-Federal share of such costs, the Secretary shall consider contributions in cash and in kind, fairly evaluated, including but not limited to premises, equipment, and services.”

Pub. L. 104-127, §705(1), made technical amendment to directory language of Pub. L. 101-624, §2347(a). See 1990 Amendment note below.

Subsec. (i). Pub. L. 104-127, §747(a)(5), struck out subsec. (i) which authorized making of loans at low interest rates and at market rates to 1 or more businesses, local governments, or public agencies in rural areas to fund facilities in which recipients of such loans share telecommunications terminal equipment, computers, computer software, and computer hardware.

Subsec. (j). Pub. L. 104-127, §747(a)(6), redesignated subsec. (j) as (f).

1992—Subsec. (c). Pub. L. 102-554 designated existing provisions as par. (1) and added par. (2).

Pub. L. 102-552, which directed the substitution of “business enterprises or the creation, expansion, and operation of rural distance learning networks or rural learning programs that provide educational instruction or job training instruction related to potential employment or job advancement to adult students,” for “business enterprises,” in section 310B(c) without specifying the name of the act, was executed to this section, which is section 310B of the Consolidated Farm and Rural Development Act, to reflect the probable intent of Congress.

1991—Subsec. (d)(5), (7). Pub. L. 102-237, §701(h)(1)(C), (D), substituted “this chapter” for “this Act”.

Subsec. (f)(4). Pub. L. 102-237, §701(c)(3), (4), redesignated par. (4), relating to grants to statewide private nonprofit public television systems, as subsec. (j), and transferred such provision to follow subsec. (i).

Subsec. (i)(2)(B)(iv). Pub. L. 102-237, §701(c)(1), substituted “(iii) of this subparagraph” for “(ii) of this subsection”.

Subsec. (i)(5)(A). Pub. L. 102-237, §701(c)(2), inserted closing parenthesis after “section 2008(b)(3) of this title”.

Subsec. (j). Pub. L. 102-237, §701(c)(3)-(5), redesignated subsec. (f)(4), relating to grants to statewide private nonprofit public television systems, as subsec. (j), transferred such provision to follow subsec. (i), and inserted heading.

1990—Subsec. (a). Pub. L. 101-624, §2388(b), substituted “paragraphs (1) and (3)” for “subsections (a) and (c)”.

Subsec. (b). Pub. L. 101-624, §2325, designated existing provisions as par. (1) and added par. (2).

Subsec. (d). Pub. L. 101-624, §2388(c), designated first par. and and pars. (1) to (6) as (1) to (7), respectively,

substituted “paragraphs (2) and (3)” for “paragraph (1) and (2)” in par. (4), and realigned margins of pars. (5) to (7).

Subsec. (f). Pub. L. 101-624, §2386, added par. (4) relating to grants to statewide private nonprofit public television systems.

Pub. L. 101-624, §2347, formerly §2347(a), as renumbered by Pub. L. 104-127, §705(1), added subsec. (f) and struck out former subsec. (f) which read as follows:

“(1) The Secretary may make grants under this subsection to public and nonprofit private institutions for the purpose of enabling them to establish and operate centers of rural technology development that have, as a primary objective, the improvement of the economic condition of rural areas by promoting the development (through technological innovation and adaptation of existing technology) and commercialization of (A) new products that can be produced in rural areas, and (B) new processes that can be used in such production.

“(2) Grants under this subsection may be made on a competitive basis. In making grants, the Secretary shall give preference to applicants that will establish centers for rural technology in areas that have (A) few industries and agribusinesses, (B) high levels of unemployment, (C) high rates of out-migration of people, business, and industries, and (D) low levels of per capita income.

“(3) If grants are to be made under this subsection, the Secretary shall issue regulations implementing this subsection that shall include provisions for the monitoring and evaluation of the rural technology development activities carried out by institutions that receive grants under this subsection.”

Subsecs. (g), (h). Pub. L. 101-624, §2347, formerly §2347(a), as renumbered by Pub. L. 104-127, §705(1), added subsecs. (g) and (h).

Subsec. (i). Pub. L. 101-624, §2337, added subsec. (i). 1987—Subsec. (c). Pub. L. 100-203 inserted “and private nonprofit corporations” after “to public bodies” and substituted “to finance and facilitate development of small and emerging” for “to facilitate development of”.

1986—Subsec. (a). Pub. L. 99-409, §2(1), inserted provision that no loan may be made, insured, or guaranteed under this subsection that exceeds \$25,000,000 in principal amount.

Subsec. (f). Pub. L. 99-409, §2(2), added subsec. (f).

1980—Subsec. (a). Pub. L. 96-438 authorized the Secretary to make and insure loans for the purpose of reducing the reliance on nonrenewable energy resources by encouraging the development and construction of solar energy systems, including the modification of existing systems, in rural areas and defined term “solar energy”, for purposes of subsection (a) of this section, as meaning energy derived from sources, other than fossil fuels, and technologies included in the Federal Nonnuclear Energy Research and Development Act of 1974, as amended.

Subsec. (e). Pub. L. 96-358 added subsec. (e).

1978—Subsec. (d)(1), (2). Pub. L. 95-334, §112(1), inserted exception for assistance less than \$1,000,000, or where direct employment will not be increased by more than 50 employees.

Subsec. (d)(3). Pub. L. 95-334, §112, inserted exception for assistance less than \$1,000,000, or where direct employment will not be increased by more than 50 employees and substituted “30” for “60”.

1977—Subsec. (a). Pub. L. 95-113 inserted reference to the conservation, development, and utilization of water for aquaculture purposes and inserted definition of “aquaculture”.

1973—Subsec. (d)(4) to (6). Pub. L. 91-524, §817, as added by Pub. L. 93-86, added pars. (4) to (6).

EFFECTIVE DATE OF 1996 AMENDMENT

Section 731 of Pub. L. 104-180 provided in part: “That this section [amending this section] shall take effect upon enactment of this Act into law [Aug. 6, 1996].”

EFFECTIVE DATE OF 1991 AMENDMENT

Amendment by section 701(c) of Pub. L. 102-237 effective as if included in the provision of the Food, Agri-

culture, Conservation, and Trade Act of 1990, Pub. L. 101-624, to which the amendment relates, and amendment by section 701(h)(1)(C), (D) of Pub. L. 102-237 to any provision specified therein effective as if included in Act that added provision so specified at the time such Act became law, see section 1101(b)(6), (c) of Pub. L. 102-237, set out as a note under section 1421 of this title.

EFFECTIVE DATE OF 1986 AMENDMENT

Section 2(2) of Pub. L. 99-409 provided that the amendment made by that section is effective Oct. 1, 1986.

EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by Pub. L. 96-358 effective Oct. 1, 1980, see section 6 of Pub. L. 96-358, set out as an Effective Date note under section 3701 of this title.

EFFECTIVE DATE OF 1977 AMENDMENT

Amendment by Pub. L. 95-113 effective Oct. 1, 1977, see section 1901 of Pub. L. 95-113, set out as a note under section 1307 of this title.

TRANSFER OF FUNCTIONS

Powers, duties, and assets of agencies, offices, and other entities within Department of Agriculture relating to rural development functions under this section and under section 1323 of Pub. L. 99-198, set out as a note below, transferred to Rural Development Administration by section 2302(b) of Pub. L. 101-624.

BUSINESS DEVELOPMENT

Section 2336 of Pub. L. 101-624 provided that: “The purposes of this chapter [chapter 2 (§§2336, 2337) of subtitle D of title XXIII of Pub. L. 101-624, amending this section] are to—

“(1) provide funds to improve telecommunications service in rural areas; and

“(2) provide access to advanced telecommunications services and computer networks to improve job opportunities and the business environment in rural areas.”

GUARANTEE BY SECRETARY OF AGRICULTURE OF LOANS TO NONPROFIT NATIONAL RURAL DEVELOPMENT AND FINANCE CORPORATIONS

Pub. L. 99-198, title XIII, §1323, Dec. 23, 1985, 99 Stat. 1534, as amended by Pub. L. 99-425, title IV, §407(c), Sept. 30, 1986, 100 Stat. 971; Pub. L. 99-500, §101(a) [title VI, §641], Oct. 18, 1986, 100 Stat. 1783, 1783-35, and Pub. L. 99-591, §101(a) [title VI, §641], Oct. 30, 1986, 100 Stat. 3341, 3341-35; Pub. L. 100-202, §101(k) [title VI, §636], Dec. 22, 1987, 101 Stat. 1329-322, 1329-357, provided that:

“(a)(1) Prior to September 30, 1988, the Secretary of Agriculture (hereafter in this section referred to as the ‘Secretary’) shall guarantee loans made by public agencies or private organizations (including loans made by financial institutions such as insurance companies) to nonprofit national rural development and finance corporations that establish similar and affiliated statewide rural development and finance programs for the purpose of providing loans, guarantees, and other financial assistance to profit or nonprofit local businesses to improve business, industry, and employment opportunities in a rural area (as determined by the Secretary).

“(2) To be eligible to obtain a loan guarantee under this subsection, a corporation must—

“(A) demonstrate to the Secretary the ability of the corporation to administer a national revolving rural development loan program;

“(B) be prepared to commit financial resources under the control of the corporation to the establishment of affiliated statewide rural development and finance programs; and

“(C) have secured commitments of significant financial support from public agencies and private organizations for such affiliated statewide programs.

“(3) A national rural development and finance corporation receiving a loan guarantee under this subsection shall base a determination to establish an affiliated statewide program in large part on the willingness of States and private organizations to sponsor and make funds available to such program.

“(4) Notwithstanding any other provision of law, for the fiscal year ending September 30, 1986, of the amounts available to guarantee loans in accordance with section 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932) from the Rural Development Insurance Fund, \$20,000,000 shall be used by the Secretary to guarantee loans under the national rural development and finance program established under this subsection, to remain available until expended.

“(5) Notwithstanding any provision to the contrary of subsection (4) above, the \$20,000,000 which was available pursuant to subsection (4) shall continue to be available and shall be used by the Secretary prior to September 30, 1988, to guarantee loans for the national rural development and finance program and shall remain available until expended.

“(b)(1) Prior to September 30, 1988, the Secretary shall make grants, from funds transferred under paragraph (2), to national rural development and finance corporations for the purpose of establishing a rural development program to provide financial and technical assistance to complement the loan guarantees made or to be made to such corporations under subsection (a).

“(2) All funds in, appropriated to, or repaid to the Rural Development Loan Fund, including those on deposit and available upon date of enactment [Dec. 23, 1985], under sections 623 and 633 [42 U.S.C. 9812, 9822] of the Community Economic Development Act of 1981 (42 U.S.C. 9801 et seq.) shall be transferred to the Secretary provided that—

“(A) all funds on deposit and available on date of enactment shall be used for the purpose of making grants under paragraph (1) and shall remain available until expended;

“(B) notwithstanding any other provision of law, all loans to intermediary borrowers made prior to date of enactment, shall upon date of enactment, for the life of such loan, bear a rate of interest not to exceed that in effect upon the date of issuance of such loans; and

“(C) notwithstanding paragraph (1), all funds other than funds to which subparagraph (A) applies shall be used by the Secretary to make loans—

“(i) to the entities;

“(ii) for the purposes; and

“(iii) subject to the terms and conditions; specified in the first, second, and last sentences of section 623(a) of the Community Economic Development Act of 1981 (42 U.S.C. 9812(a)). For purposes of this subparagraph, any reference in such sentences to the Secretary shall be deemed to be a reference to the Secretary of Agriculture.”

Pub. L. 99-500, § 101(a) [title VI, § 641], Oct. 18, 1986, 100 Stat. 1783, 1783-35, and Pub. L. 99-591, § 101(a) [title VI, § 641], Oct. 30, 1986, 100 Stat. 3341, 3341-35, provided in part: “That such grant funds [probably means grant funds under section 1323(b)(1) of Pub. L. 99-198, set out above] may be used by such corporation to provide technical assistance and financial assistance, including capitalizing revolving loan programs, pursuant to the Act.”

LIMITS ON GRANTS FOR FISCAL YEARS 1982, 1983, AND 1984

Pub. L. 97-35, title I, § 120, Aug. 13, 1981, 95 Stat. 367, provided in part that, notwithstanding any other provision of law, there was authorized to be appropriated for grants pursuant to section 310B(c) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932) not to exceed: \$5,007,000 for fiscal year 1982, \$5,280,000 for fiscal year 1983, and \$5,553,000 for fiscal year 1984.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 917, 1927, 1929a, 1983, 1983a, 1992, 2009d, 6613, 6942, 6944 of this title.

§ 1933. Guaranteed rural housing loans; Hawaiian home lands

(a) Rural Housing Loans which (1) are guaranteed by the Secretary under section 517(a)(2)¹ of the Housing Act of 1949 [42 U.S.C. 1487(a)(2)], (2) are made by other lenders approved by the Secretary to provide dwellings in rural areas for the applicants' own use, and (3) bear interest and other charges at rates not above the maximum rates prescribed by the Secretary of Housing and Urban Development for loans made by private lenders for similar purposes and guaranteed by the Secretary of Housing and Urban Development under the National Housing Act [12 U.S.C. 1701 et seq.] or superseding legislation shall not be subject to sections 501(c) and 502(b)(3) of the Housing Act of 1949 [42 U.S.C. 1471(c) and 1472(b)(3)].

(b) For the purposes of title V of the Housing Act of 1949 [42 U.S.C. 1471 et seq.] or this chapter, a guarantee of payment given under the color of law by the Department of Hawaiian Home Lands (or its successor in function) shall be found by the Secretary reasonably to assure repayment of any indebtedness so guaranteed.

(Pub. L. 87-128, title III, § 310C, as added Pub. L. 92-419, title I, § 119, Aug. 30, 1972, 86 Stat. 664; amended Pub. L. 101-624, title XVIII, § 1804, Nov. 28, 1990, 104 Stat. 3819.)

REFERENCES IN TEXT

Section 517(a) of the Housing Act of 1949 [42 U.S.C. 1487(a)], referred to in subsec. (a), was amended by Pub. L. 98-181, title V, § 514(a)(1), Nov. 30, 1983, 98 Stat. 1247, and, as so amended, does not contain a par. (2).

The National Housing Act, referred to in subsec. (a), is act June 27, 1934, ch. 847, 48 Stat. 1246, as amended, which is classified principally to chapter 13 (§ 1701 et seq.) of Title 12, Banks and Banking. For complete classification of this Act to the Code, see References in Text note set out under section 1701 of Title 12 and Tables.

Title V of the Housing Act of 1949, referred to in subsec. (b), is title V of act July 15, 1949, ch. 338, 63 Stat. 432, as amended, which is classified generally to subchapter III (§ 1471 et seq.) of chapter 8A of Title 42, The Public Health and Welfare. For complete classification of this Act to the Code, see References in Text note set out under section 1441 of Title 42 and Tables.

For definition of “this chapter”, referred to in subsec. (b), see note set out under section 1921 of this title.

AMENDMENTS

1990—Subsec. (b). Pub. L. 101-624 substituted “or this chapter” for “”, as amended.”

§ 1934. Low-income farm ownership loan program; eligibility; repayment requirements

(a) The Secretary is authorized to make and insure loans for any of the purposes referred to in section 1923(a) of this title, or paragraphs (1) through (5) of section 1924(a) of this title, to farmers and ranchers in the United States who (1) are citizens of the United States, (2) meet the requirements of paragraphs (2) through (4) of section 1922 of this title, (3) are unable to obtain sufficient credit under section 1922 of this title to finance their actual needs, (4) are owners or operators of small or family farms (including new owners or operators), (5) are farmers or

¹ See References in Text note below.

ranchers with a low income, and (6) demonstrate a need to maximize their income from farming or ranching operations. The Secretary is also authorized to make such loans to any farm cooperative or private domestic corporation or partnership that is controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States if all of its members, stockholders, or partners, as applicable, are citizens of the United States and the entity and all such members, stockholders, or partners meet the requirements of paragraphs (2) through (6) of the preceding sentence.

(b) Each loan made or insured under this section shall be repayable in such installments as the Secretary determines will provide for reduced payments during the initial repayment period of the loan and larger payments during the remainder of the repayment period of the loan.

(Pub. L. 87-128, title III, §310D, as added Pub. L. 95-334, title I, §113, Aug. 4, 1978, 92 Stat. 424; amended Pub. L. 101-624, title XVIII, §1802(b), Nov. 28, 1990, 104 Stat. 3818; Pub. L. 102-552, title V, §516(e)(1), Oct. 28, 1992, 106 Stat. 4137; Pub. L. 104-127, title VI, §661(e), Apr. 4, 1996, 110 Stat. 1107.)

AMENDMENTS

1996—Subsec. (a). Pub. L. 104-127 substituted “section 1923(a) of this title, or paragraphs (1) through (5) of section 1924(a) of this title” for “paragraphs (1) through (5) of section 1923(a) of this title, or subparagraphs (A) through (E) of section 1924(a)(1) of this title”.

1992—Subsec. (a). Pub. L. 102-552 substituted “1924(a)(1)” for “1924(d)(1)”.

1990—Subsec. (a). Pub. L. 101-624 substituted “paragraphs (1) through (5) of section 1923(a) of this title, or subparagraphs (A) through (E) of section 1924(d)(1) of this title,” for “clauses (1) through (5) of section 1923(a) of this title”, substituted “paragraphs” for “clauses” before “(2) through (4) of section”, made technical amendment to reference to section 1922 of this title which required no change in text, and substituted “paragraphs” for “clauses” before “(2) through (6) of the”.

EFFECTIVE DATE OF 1992 AMENDMENT

Section 516(e)(2) of Pub. L. 102-552 provided that: “The amendment made by paragraph (1) of this subsection [amending this section] shall take effect at the same time as the amendments made by section 501(a) of the Food, Agriculture, Conservation, and Trade Act Amendments of 1991 (Public Law 102-237; 105 Stat. 1865) [amending section 1924 of this title] took effect.”

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1925, 1927, 1942, 1983 of this title.

§ 1935. Down payment loan program

(a) In general

(1) Establishment

Notwithstanding any other section of this subchapter, the Secretary shall establish, within the farm ownership loan program established under this subchapter, a program under which loans shall be made under this section to qualified beginning farmers and ranchers for down payments on farm ownership loans.

(2) Administration

The Secretary shall be the primary coordinator of credit supervision for the down

payment loan program established under this section, in consultation with the commercial or cooperative lender and, if applicable, the contracting credit counseling service selected under section 2006b(c) of this title.

(b) Loan terms

(1) Principal

Each loan made under this section shall be in an amount equal to 30 percent of the purchase price or appraisal value, whichever is lower, of the farm or ranch to be acquired, unless the borrower requests a lesser amount.

(2) Interest rate

The interest rate on any loan made by the Secretary under this section shall be 4 percent.

(3) Duration

Each loan under this section shall be made for a period of 10 years or less, at the option of the borrower.

(4) Repayment

Each borrower of a loan under this section shall repay the loan to the Secretary in equal annual installments.

(5) Nature of retained security interest

The Secretary shall retain an interest in each farm or ranch acquired with a loan made under this section that shall—

(A) be secured by the farm or ranch;

(B) be junior only to such interests in the farm or ranch as may be conveyed at the time of acquisition to the person (including a lender) from whom the borrower obtained a loan used to acquire the farm or ranch; and

(C) require the borrower to obtain the permission of the Secretary before the borrower may grant an additional security interest in the farm or ranch.

(c) Limitations

(1) Borrowers required to make minimum down payment

The Secretary shall not make a loan under this section to any borrower with respect to a farm or ranch if the contribution of the borrower to the down payment on the farm or ranch will be less than 10 percent of the purchase price of the farm or ranch.

(2) Maximum price of property to be acquired

The Secretary shall not make a loan under this section with respect to a farm or ranch for which the purchase price or appraisal value, whichever is lower, exceeds \$250,000.

(3) Prohibited types of financing

The Secretary shall not make a loan under this section with respect to a farm or ranch if the farm or ranch is to be acquired with other financing that contains any of the following conditions:

(A) The financing is to be amortized over a period of less than 30 years.

(B) A balloon payment will be due on the financing during the 10-year period beginning on the date the loan is to be made by the Secretary.

(d) Administration

In carrying out this section, the Secretary shall, to the maximum extent practicable—

(1) facilitate the transfer of farms and ranches from retiring farmers and ranchers to persons eligible for insured loans under this subchapter;

(2) make efforts to widely publicize the availability of loans under this section among—

(A) potentially eligible recipients of the loans;

(B) retiring farmers and ranchers; and

(C) applicants for farm ownership loans under this subchapter;

(3) encourage retiring farmers and ranchers to assist in the sale of their farms and ranches to qualified beginning farmers and ranchers by providing seller financing; and

(4) coordinate the loan program established by this section with State programs that provide farm ownership or operating loans for beginning farmers and ranchers.

(Pub. L. 87–128, title III, §310E, as added Pub. L. 102–554, §7(a), Oct. 28, 1992, 106 Stat. 4144.)

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1925, 1929, 1991, 1994 of this title.

§ 1936. Repealed. Pub. L. 104–127, title VI, § 616(b), Apr. 4, 1996, 110 Stat. 1090

Section, Pub. L. 87–128, title III, §310F, as added Pub. L. 102–554, §7(b), Oct. 28, 1992, 106 Stat. 4146, related to availability of farm ownership loans and loan guarantees for certain qualified beginning farmers and ranchers.

SUBCHAPTER II—OPERATING LOANS

SUBCHAPTER REFERRED TO IN OTHER SECTIONS

This subchapter is referred to in sections 1925, 1961, 1963, 1964, 1981b, 1983, 1983a, 1989, 1991, 1994, 2000, 2003, 2006a, 2008h of this title.

§ 1941. Persons eligible for loans

(a) Requirements

The Secretary is authorized to make and insure loans under this subchapter to farmers and ranchers in the United States, and to farm cooperatives and private domestic corporations, partnerships, and joint operations that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States, subject to the conditions specified in this section. To be eligible for such loans, applicants who are individuals, or, in the case of cooperatives, corporations, partnerships, and joint operations, individuals holding a majority interest in such entity, must (1) be citizens of the United States, (2) for direct loans only, have either training or farming experience that the Secretary determines is sufficient to assure reasonable prospects of success in the proposed farming operations, (3) be or will become operators of not larger than family farms (or in the case of cooperatives, corporations, partnerships, and joint operations in which a majority interest is held by individuals who are related by blood or marriage, as defined by the Secretary, such individuals must be or will become either owners or operators of not larger than a family farm and at least one such indi-

vidual must be or will become an operator of not larger than a family farm or, in the case of holders of the entire interest who are related by blood or marriage and all of whom are or will become farm operators, the ownership interest of each such holder separately constitutes not larger than a family farm, even if their interests collectively constitute larger than a family farm, as defined by the Secretary), and (4) be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. In addition to the foregoing requirements of this subsection, in the case of corporations, partnerships, and joint operations, the family farm requirement of clause (3) of the preceding sentence shall apply as well to the farm or farms in which the entity has an operator interest and the requirement of clause (4) of the preceding sentence shall apply as well to the entity in the case of cooperatives, corporations, partnerships, and joint operations.

(b) Rural youths in 4-H Clubs, Future Farmers of America, etc.

(1) Loans may also be made under this subchapter without regard to the requirements of clauses (2) and (3) of subsection (a) of this section to youths who are rural residents to enable them to operate enterprises in connection with their participation in 4-H Clubs, Future Farmers of America, and similar organizations.

(2) A person receiving a loan under this subsection who executes a promissory note therefor shall thereby incur full personal liability for the indebtedness evidenced by such note in accordance with its terms free of any disability of minority.

(3) For loans under this subsection the Secretary may accept the personal liability of a cosigner of the promissory note in addition to the borrowers' personal liability.

(4) YOUTH ENTERPRISES NOT FARMING OR RANCHING.—The operation of an enterprise by a youth under this subsection shall not be considered the operation of a farm or ranch under this chapter.

(c) Direct loans

(1) In general

Subject to paragraph (3), the Secretary may make a direct loan under this subchapter only to a farmer or rancher who—

(A) is a qualified beginning farmer or rancher who has not operated a farm or ranch, or who has operated a farm or ranch for not more than 5 years;

(B) has not received a previous direct operating loan made under this subchapter; or

(C) has received a previous direct operating loan made under this subchapter during 6 or fewer years.

(2) Youth loans

In this subsection, the term “direct operating loan” shall not include a loan made to a youth under subsection (b) of this section.

(3) Transition rule

If, as of April 4, 1996, a farmer or rancher has received a direct operating loan under this